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GENERAL DISCUSSION OF INTERNATIONAL ECONOMIC AND SOCIAL POLICY, INCLUDING REGIONAL AND SECTORAL DEVELOPMENTS

REGIONAL CO-OPERATION

Summary of the Economic Survey of Europe in 1989-1990

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I. OVERVIEW

1. The extraordinary developments in Eastern Europe and the Soviet Union in 1989 constitute a major turning point in Europe's post-war history. Most of the peoples of Eastern Europe want a radical and decisive change in the way their political and economic affairs are conducted. Most countries are now moving, at varying rates of progress, towards pluralist forms of government and decentralized market economies.

2. Recent developments, however, have created massive uncertainty in Eastern countries which is likely to exacerbate economic problems in the short run. The authority of the old political systems has been rejected in Eastern Europe, while the legitimacy of the new awaits confirmation in a series of parliamentary elections which began in the German Democratic Republic in mid-March. Political change may often be very rapid, but economic adjustment is generally much slower: the certainties of the central planning system have been eroded more quickly than the alternative mechanisms of the market can be put in their place. Disappointment with the progress of economic reforms was an important factor in accelerating the pace of change in 1989.

3. Eastern economic performance in 1989 was probably the worst since the immediate post-war period: apart from Czechoslovakia and the German Democratic Republic, output in Eastern Europe fell or stagnated; in the Soviet Union it rose, but by much less than in 1988 and considerably less than planned. Domestic imbalances were also worse than at any time since the post-war recovery. Economic problems were partly responsible for - and were certainly compounded by - widespread social unrest which took a variety of forms ranging from strikes to large-scale emigration.

4. In 1990 East European countries are faced with a formidable array of problems. Policy makers are currently preoccupied with restoring social stability and implementing economic stabilization programmes, which will impose heavy burdens on the population in the immediate future. At the same time they intend to introduce fundamental reforms which would lead to the replacement of central planning by decentralized market systems. This must be done against the background of a short-run economic outlook for the Eastern economies which is far from encouraging. However, despite the sombre outlook for 1990, a social consensus has already emerged in some countries and formal economic stabilization programmes have been, or are being, put into place. Moreover, for the first time, the Western market economy countries have clearly stated their willingness to support the process of reform in the East. After summarizing recent economic developments in the Economic Commission for Europe (ECE) region, the first chapter of the Survey focuses on the form that such assistance could take.

II. MARKET ECONOMIES

5. The economic performance of the market economies remained quite favourable in 1989, although on average the pace of expansion tended to moderate. This reflects largely the impact of tighter monetary policies designed to prevent inflation from accelerating. Output growth slowed down in North America and remained broadly

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unchanged in Western Europe. There was also a deceleration in the pace of economic activity in Japan, although gross domestic product (GDP) growth is still higher there than in Western Europe and North America. Growth differentials between these three regions tended to narrow in the course of 1989. Total output in the market economies grew on average by some 3.5 per cent, compared with over 4 per cent in 1988.

6. In the ECE market economies the long upswing of the 1980s continued in 1989. Growth of actual output has been exceeding the expansion in potential output over the last two years in many countries, and capacity utilization rates are at very high levels. At this stage of the output cycle productivity reserves are largely exhausted and this has stimulated the demand for labour. Employment growth was about 1 per cent in Western Europe and 2 per cent in North America. Unemployment declined, both as a proportion of the labour force and in absolute size. Nevertheless, the average West European rate of unemployment is still very high at almost 8 per cent (down from 8.5 per cent in 1988). In the United States, despite the slow-down in economic activity, the unemployment rate fell to just over 5 per cent, the lowest rate since 1973.

7. Consumer prices rose somewhat faster than in 1988, although the average increase of about 4.5 per cent in 1989 conceals a stabilization or even deceleration in the second half of the year, helped by an easing of non-oil commodity prices and the restrictive stance of monetary policy.

8. Although the external imbalances of the main industrial countries remained large, there was nevertheless a further decline in United States deficits and Japanese surpluses in 1989. In contrast, in the Federal Republic of Germany, trade and current account surpluses increased further.

9. Investment was the main driving force of domestic demand in the majority of countries, but private consumption remained strong. Strong domestic demand stimulated international trade, making for both considerable export and import growth in the various countries.

10. At the beginning of 1990 business and consumer confidence is quite high in Western Europe, and the outlook is for another year of relatively strong economic growth. Given the tight stance of monetary policy - and except for unforeseen factors - inflation rates are likely to stabilize in the neighbourhood of the rates observed in 1989. Business investment continues to be the major driving force of domestic demand, but private consumption will also provide a strong support for output growth.

11. In 1990 a continuation of the relatively strong performance in the ECE market economies is expected. There will be some slow-down in output growth, and this will tend to ease the strains which high activity levels have put recently on the utilization of available resources. Fixed investment will again be the major support for growth. In Western Europe the forecast deceleration in output growth is small, except for the United Kingdom. The outlook for the United States is surrounded with some uncertainty, but growth in 1990 is most likely to be closer to that expected for Western Europe. Monetary policy will remain cautious and avoid

any early reduction in interest rates. For the ECE market economies, combined GDP growth for 1990 is forecast at 2.5 per cent, compared with 3 per cent in 1989.

12. There is no doubt that the changes under way in the economic systems and arrangements of the Eastern countries will affect economic developments in the market economies in 1990, although it is virtually impossible as yet to determine their impact. Interest rates have risen recently in anticipation of a large demand for capital needed to finance the transformation of the East European economies. Higher interest rates also reflect fears of inflation in the Federal Republic of Germany as a consequence of the imminent monetary union with the German Democratic Republic. While these reactions in the financial markets may be exaggerated, it is nevertheless clear that in the years ahead a significant part of world savings will flow to Eastern Europe if they are offered a competitive rate of return. One danger is that financial flows will be diverted to the East to the detriment of the developing world. In these circumstances a steady reduction of the United States budget deficit could make an important contribution to easing the upward pressure on world interest rates and in maintaining - or even increasing - the flow of funds to developing countries.

III. EASTERN EUROPE AND THE SOVIET UNION

13. In the centrally planned economies there was a substantial slowing of economic activity in 1989, which in several countries turned into a recession. In the Soviet Union, output fell to less than 2.5 per cent, from 4.5 per cent in 1988. Output contracted in absolute terms in at least two of the six East European countries, and aggregate growth for the five which reported data was only half of 1 per cent. The deceleration was thus general and in most cases ran counter to expectations.

14. Aggregate net material product (NMP = value added in the material sphere) in the Eastern countries rose by less than 2 per cent in 1989. Growth slowed throughout the year, and output actually fell in most, possibly all, of the seven countries in the last quarter. To a certain extent, the weakness in production was spread throughout the Council for Mutual Economic Assistance (CMEA) trade network. In some cases, production shortfalls and transport bottle-necks in the Soviet Union spilled over into neighbouring countries. Industrial activity stagnated in Eastern Europe and grew by less than 2 per cent in the Soviet Union, construction appears to have generally contracted, and agricultural output grew by less than 1 per cent.

15. In almost all countries, social or political upheavals played an important role in the downturn, although deteriorating macro-economic control, the effects of fiscal deficits and the worsening internal market balance appear to have been the main causes. Apart from this, there is growing evidence that the impediments to the implementation of economic reforms or the costs of transition to a market system were underestimated. In the Soviet Union, the dismantling of central controls has not been paralleled by the development of institutional arrangements appropriate to the new circumstances. The latter could be a long process - either because reform has not been comprehensive enough, as in the Soviet Union, or because the new institutions cannot be created overnight.

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16. The impact of production developments on domestic resource absorption was mitigated by foreign trade flows. In Eastern Europe, the volume of exports fell by 2.5 per cent while imports rose by 1 per cent. Although the terms of trade improved slightly for Eastern Europe, there was some contraction of the overall trade surplus of these countries (from \$7 billion to \$6 billion). In the case of the Soviet Union, export volume stagnated, while imports rose by an estimated 7 per cent. Together with slightly worsening overall terms of trade, this caused a \$9 billion turnaround of the Soviet trade balance, from a surplus of \$3.5 billion in 1988 to a \$5.5 billion deficit in 1989.

17. In the allocation of resources for domestic utilization, consumption was given priority over accumulation in all East European countries. The volume of investment fell by some 3 per cent in Eastern Europe and increased only marginally in the Soviet Union.

18. Domestic imbalances persisted or, in most countries, worsened. Open inflation or inflationary pressures were fuelled by large fiscal deficits, the existence of which was revealed in a number of countries for the first time. In the Soviet Union, the budget deficit reached 10 per cent of gross national product (GNP) in 1989. In Poland, the already high inflation accelerated to 250 per cent, year over year. In Hungary, consumer prices rose 17 per cent. Inflation also gathered momentum in Bulgaria and the Soviet Union, although open inflation remained at the one-digit level.

19. The short-term outlook is for a deepening recession in the East European countries in 1990, and for sluggish growth at best in the Soviet Union. This reflects the progressive slowing of output growth during the course of 1989, which turned into contraction in the final quarter of the first months of 1990, the growing sense of economic crisis surrounding the policy discussions in several countries, and the signs of a breakdown in the intra-CMEA trading system.

20. The immediate prospects for Eastern Europe and the Soviet Union are quite bleak. Governmental programmes for 1990 focus on the twin aims of transforming economic systems and stabilizing economies in disarray. These are tasks of a large order and frequently involve contradictory demands. Inflationary processes are likely to respond only slowly to moderate deflationary policy measures, and where policy is strong (as in Poland) the cost of a recessionary downturn will be high. Balance of payments constraints have increased for most countries, including the Soviet Union, and reduced the leeway for domestic policy.

21. Although the problems and prospects facing the Eastern countries are fairly daunting, the ability to implement effective policies to deal with them and reap the longer-term benefits could be greatly increased by the adoption of consistent reform measures. In Eastern Europe, the political legitimacy conferred on Governments by free parliamentary elections, due to take place in most countries in 1990, and by a significant programme of technical and financial support by the Western market economies should help in facing the costs of reform.

IV. EAST-WEST TRADE

22. East-West trade in 1989 was characterized by a slackening of Eastern export growth and a substantial pick-up in the volume of Eastern imports. It evolved against the background of a rapid, although slowing, expansion of world trade and momentous changes in the political environment of East-West relations.

23. After a pick-up in 1988, the volume of East European exports to the West slowed again in 1989, expanding at some 3 per cent in the first nine months. Volume growth for the year as a whole is likely to be lower still as the political developments in the last quarter generally had a negative impact on the supply of exportables. In some countries - notably Czechoslovakia and Hungary - changes in the trade régime in the course of economic reform none the less appear to have favoured relatively strong export growth. East European imports from the West, which had stagnated in the preceding year, rose sharply - by 13 per cent - in the first nine months of 1989. This mainly reflected very strong import expansion in Hungary and Poland in consequence of the liberalization of trade régimes in those countries. Import growth seems to have slowed towards the end of the year, probably reflecting efforts to improve current accounts or hold down the growth of foreign debt.

24. Eastern Europe's trade surplus with the West appears to have nearly vanished as a consequence of these changes, although the surplus in convertible currencies with all market economies still remained positive. A substantial rise in the deficit on invisibles (from less than \$3 billion in 1988 to \$4.5 billion) none the less caused the East European current account in convertible currencies to swing into a deficit again (estimated at some \$2 billion). The aggregate net indebtedness of the East European countries rose by \$1.5 billion, from \$76.5 billion, at the end of 1988 to almost \$78 billion at the close of 1989.

25. The volume of Soviet exports to the West increased by some 3 per cent in the first nine months of 1989, after strong expansion in the preceding year. Export growth slowed substantially in the course of the year owing, at least in part, to supply difficulties originating in the Soviet fuels and transport sectors. Soviet imports, on the other hand, rose rapidly and at an accelerating pace - by 13 per cent in volume in the first nine months - which seems to have continued into the last quarter when emergency imports of consumer manufactures began to arrive.

26. For the first time in several years, the terms of trade of the Soviet Union with the West improved in 1989 owing to the rise in world market fuel prices. However, the gains were not sufficient to prevent a sharp widening of the Soviet trade deficit with the West - from some \$3 billion in 1988 to \$6.5 billion on the basis of the Soviet data for the full year. The current account deficit worsened even more, and estimated Soviet net indebtedness increased by \$10 billion in nominal terms, from \$26.5 billion to \$36.5 billion. 1/

27. All East European countries are at various stages of implementing economic reforms whose aims range from the greater use of market instruments to improve economic planning to the full transition from planned to market economies. Such reforms raise the possibility that the weaknesses of the Eastern economic system which have long held back the integration of these countries into the world economy

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will be overcome. The positive impact of reform measures on the trade of a number of Eastern countries during the past several years gives some cause for optimism. On the other hand, the poor initial state of the Eastern economies and the disruptions caused by the reforms themselves or the upheavals of transition from one economic system to another have, in some cases, cut exports and increased the pressure to import.

28. This lends additional importance to the international support initiatives launched by Western Governments and multilateral financial institutions. These measures should meet the financial needs of Hungary and Poland during the current year, but are likely to be much less supportive in the short term for the other East European countries now in the first stages of elaborating transition or reform programmes. In addition to financial relief, the international initiatives address the various objectives of economic reform: macro-economic stabilization, modernization and restructuring of the domestic economy, raising income levels, and integrating these countries into the world economy. Altogether, these developments are a major step forward in stabilizing economic and political relations in the region.

V. A MARSHALL PLAN FOR EASTERN EUROPE?

29. Since many observers have called for a new Marshall Plan to assist Eastern Europe, this suggestion is examined in some detail (see sect. 1.2 of the Economic Survey of Europe, 1989-1990 2/). First the situation of Western Europe in 1948 is reviewed; then the main features of the Marshall Plan are discussed followed by an assessment of the relevance of a similar plan to the present situation in Eastern Europe. Various issues which are important for the reform process itself and for the structure of any Western programme of support - environment, international trade, the pace of the reform process - are discussed. The final section pulls together the main elements which the ECE secretariat thinks should be given priority in any programme of Western assistance to the East.

30. Despite a number of close similarities between the problems facing the West European countries in 1945-1948 and those confronting the reforming East European economies in 1990, the differences in the infrastructure of the two economic systems and in their capacity to absorb foreign financial aid are so large that it would be a mistake to assume that a repetition of the 1948 Marshall Plan would be a suitable Western response to current Eastern problems.

31. Marshall aid consisted for the most part of grant aid with a relatively small proportion of technical assistance. Given the nature of the structural problems in the Eastern countries, it is suggested that these proportions need to be reversed in any assistance programme for Eastern Europe. In other words, the Marshall Plan should be turned on its head, especially in the short run. This does not mean that there is no case for financial aid, only that the possibilities for its effective absorption are at present limited by the lack of many complementary factors, not the least of which is an institutional infrastructure appropriate to a market economy.

32. Effective technical assistance will increase Eastern Europe's capacity to absorb new capital funds and technology; although the more successful the assistance the less will be the need for grant aid and the greater the attraction for private capital. Nevertheless, there is still a need for financial assistance in the immediate future, and especially for grant aid which would avoid increase of existing debt levels. It is suggested that the priority objectives for such financial aid should be:

- (a) A radical improvement of transport and telecommunications systems;
- (b) The rapid reduction of environmental pollution.

33. Financial assistance may also play a useful role in breaking other well-defined bottle-necks, particularly when their removal will support or speed up the process of establishing efficient markets. However, it is essential that any financial assistance should avoid the mistakes of the 1970s when Western banks stepped up their lending with apparently little appreciation of the macro-economic distortions and inefficiencies of the Eastern economies. Foreign direct investment may play a role in the transformation process, but this is likely to be limited until a number of reforms are implemented and the Eastern countries can produce an internationally competitive rate of return. Anyway, as suggested in section iii of the Survey, inflows of foreign investment could lead to serious misallocation problems if domestic market distortions are still prevalent.

34. There is also a need for currency stabilization loans (already agreed to by the Group of 24 industrialized countries of the Organisation for Economic Co-operation and Development (OECD) for Poland) and for balance-of-payments support. In particular it is necessary to ensure that progress in the reform process is not checked or swallowed up by the burdens on certain countries for servicing their foreign debt.

35. The recent Paris Club rescheduling of Poland's official debt, together with the postponement of interest payments in 1990, will save some \$5 billion in scheduled hard-currency payments this year. This sum, which dwarfs the current assistance of the OECD Group of 24, obviously relieves Poland of a major obligation in the early stages of a very tough stabilization programme. However, the relief is only temporary, and it seems probable that ways will have to be found to provide more permanent relief through debt reduction either within the framework of the 1989 Brady Plan or through some other arrangement. Debt reduction is a sensitive topic among Western officials and bankers, largely because of the demonstrative effect it might have on borrowers in other parts of the world - but it may be essential in order to maintain the momentum of reform in such countries as Poland, Hungary and, eventually, Bulgaria. If the initial gains from tough stabilization measures and restructuring were to go into servicing foreign debt rather than domestic investment and the personal consumption in countries such as Poland, the social consensus for reform could be seriously threatened. The question of debt relief has not been treated in any detail in the Survey because it is widely discussed elsewhere; nevertheless, it should be considered as the third key element in the framework suggested here.

36. One proposal made in the Survey would also require financial assistance, namely the creation of a Central European Payments Union to facilitate the Eastern countries' transition to a system of free trade and multilateral settlements. This suggestion, which is discussed in more detail in section 3.4, is inspired by the successful experience of the West European countries in the European Payments Union, which was set up with the help of Marshall Plan aid.

37. The constituents of any technical assistance programme will depend on the particular circumstances of each recipient country, but it is suggested that a number of elements should be given priority since they will play an important role in creating credibility in the reform programmes and calibrating the expectations of economic agents with a realistic pace of structural reform. The suggested priorities for technical assistance are:

(a) The creation of the legal, financial and institutional framework essential for the operation of a competitive market system;

(b) The provision of comprehensive and reliable statistical and economic services for both government and enterprises in their new decision-making roles in a decentralized market economy;

(c) The development of the various marketing skills required for boosting exports to world markets.

38. Improvements in East European competitiveness should not be frustrated by import barriers abroad. Changes in commercial policy, both by West European importers and by the East European countries themselves, could help to encourage and maintain such improvements. The steps which might usefully be taken by the West European countries are:

(a) The elimination of all quotas and other quantitative restrictions on imports from reforming East European countries according to a precise timetable;

(b) A closer monitoring of the instances when controls are imposed by the Co-ordinating Committee for East-West Export Controls (COCOM) on the East European economies and a more rapid review process whenever constraints on the Eastern reform process are identified;

and by the East European countries:

(c) A conversion of the present administrative controls on Eastern imports into the more transparent devices of tariffs and quotas and the drawing up of a timetable for their gradual elimination.

39. In developing a programme of assistance for the East European countries, a number of other features of the Marshall aid experience might be followed. Among these are:

(a) The needs for assistance should be identified by the recipient countries themselves;

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(b) Recipient countries should produce coherent programmes showing how they intend to reach their structural adjustment objectives;

(c) Adjustment programmes should be specified and assistance committed over a reasonable period of time; Marshall aid was originally committed for an estimated four-year period of adjustment, but the time required for current Eastern programmes could be much longer;

(d) The needs of the various recipients should be co-ordinated by a technically qualified international institution which could help to identify and clarify those needs as well as monitor progress and provide a forum for exchanging ideas and knowledge of the various national programmes.

40. The existing institutional framework for international assistance programmes is now very different from that which existed at the time of the Marshall Plan. In 1948 there was one donor, 16 European recipients and one newly-created, international co-ordinating institution. Today there are at least 24 potential donors, six or seven recipients, and at least seven major international institutions already involved in various forms of international aid and co-operation. The present structure has a number of advantages for the East European countries, especially in so far as an extensive international framework for technical assistance already exists, and the considerable experience accumulated since the Second World War can be utilized. Nevertheless, the problems of co-ordination, both of assistance itself and the monitoring of progress, are much greater, especially as there is only one international economic institution which currently includes all the East European countries and the West European market economies in its membership. Although particular subprogrammes may be efficiently co-ordinated by institutions with less comprehensive membership, it may be valuable to use a more broadly based institution for overall co-ordination, perhaps within the framework of the Conference on Security and Co-operation in Europe (CSCE).

41. The need for close monitoring and review of both the Eastern reform process and the effectiveness of Western programmes of support is especially important given the uncertainties surrounding the entire venture. As mentioned earlier, the transformation of a centrally planned into a market economy is a journey into largely unknown territory. Past experience, such as post-war adjustment in Western Europe, or even the earlier attempts at reform in the past, provides some lessons and many warnings, but little in the way of precise guidance as to the best path to follow. In such circumstances, policy makers, both in the East and the West, will need to be willing and able to make frequent and speedy policy adjustments in the light of the experience. To be able to do this, close and accurate monitoring of developments is essential. Similarly, the above suggestions as to the relative importance of technical and financial assistance are made in the light of certain fundamental characteristics of markets on the one hand and an assessment of the structural problems of the East European economies on the other. But there is no dogma in this: the relative importance of the two types of assistance should also be subject to revision in the light of experience and the circumstances of individual countries.

42. Finally, it is worth remembering that although the East European countries have embarked on a difficult and, probably, long process of reform and adjustment, the international economy is now much stronger than when the Marshall aid programme was introduced (indeed, one of the objectives of that programme was to strengthen the working of the global economy itself). After recovering from the various shocks of the 1970s, growth in the market economies has been sustained at relatively high rates throughout the 1980s. In Western Europe, supported by expectations about the benefits of "1992", the underlying trend appears set to continue, perhaps even more strongly, in the 1990s. Against such a background of sustained growth in the world economy, not only should the burden of assistance programmes prove to be relatively light, but so should the adjustment costs of dismantling protectionist barriers against imports into market economies. At the same time, a buoyant world economy provides the East European economies with an opportunity to develop outward-oriented policies and thereby underpin the process of their transformation into competitive market economies. In turn, such a transformation may enable East European economies to open their markets to foreign products, a development which could be beneficial for sustained economic growth in the developed and developing market economies.

43. In addition to the detailed review of the current economic situation in Europe and North America and of East-West economic relations, the Economic Survey of Europe also contains three studies of special topics:

- (a) Economic reforms in the East with individual coverage for Poland, Hungary, the Soviet Union and Yugoslavia;
- (b) The effects of earlier stages in the process of European integration on the export performance of West European countries which are not members of the European Economic Community;
- (c) Changes in the structure of international trade in engineering goods with emphasis on the role of human capital and technology in determining patterns of comparative advantages in Europe, North America and Asia.

Notes

1/ Newly reported Soviet data indicate higher levels of gross debt than are used for these estimates, but they are not yet sufficiently detailed to permit a review of changes over time.

2/ United Nations publication, forthcoming.



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REGIONAL CO-OPERATION

Summary of the economic and social survey of Asia and the Pacific, 1989

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I. RECENT ECONOMIC AND SOCIAL DEVELOPMENTS

A. Recent economic developments globally and in the ESCAP region: a perspective

1. World economic developments

1. World output and trade volumes increased at estimated rates of 3.1 per cent and 6.9 per cent respectively in 1989, considerably lower than the corresponding rates of 4 per cent and 9 per cent in 1988. Further deceleration was forecast for 1990. The seven-year period of sustained expansion in the world economy, starting in 1983, was showing signs of weakening. Inflation was a worrying concern in the industrialized countries, although in 1989 tight monetary policies helped contain it at around an average of 4 per cent for all industrialized countries.
2. Output growth in 1989 remained uneven among different country groups and world regions. The average rate of growth for the industrial countries was 3.5 per cent compared with the 4 per cent rate of growth achieved in 1988. The slow-down in the growth of developing countries was sharper, the growth rate in 1989 falling to 3.2 per cent, compared with 4.2 per cent in 1988.
3. The volume of world trade, which had been expanding continuously since 1983, attained 9 per cent in 1988, the decade's highest rate of growth; in 1989 it was estimated to have grown by 6.9 per cent. Since 1986 the volume of trade of the developing countries rose faster than that of the industrialized countries; however, in 1989 the exports of the developing countries grew at a slower rate than those of developed countries.
4. The gains in export volume made by the developing countries in an expanding world market tended to be offset by adverse movements in their terms of trade. After a slight improvement in 1987 from the losses incurred during the period 1985-1986, the terms of trade of the developing countries deteriorated by 3.5 per cent in 1988. An estimated 2.1 per cent improvement in 1989 largely reflected the recovery in oil prices, which favourably affected the terms of trade of oil-exporting countries. For the non-fuel commodity-exporting developing countries, the terms of trade deteriorated in 1989 with the weakening of the prices of most of the non-fuel commodities.
5. A further slow-down in the rates of growth in world output and trade was forecast for 1990. The world economic situation was undergoing rapid change. The implications of some of the changes, such as those which were taking place in Eastern Europe, were still unclear. However, the persistence of payment imbalances, the debt crisis and protectionism remained major sources of uncertainty in the world economy.
6. The developing countries had effected a net transfer of resources to the developed countries and the international financial institutions of \$43 billion in 1988 on account of debt transactions alone. Despite some recent progress and

initiatives, the debt crisis had led to serious concern for the stability and sustained growth of the developing countries and the world economy as a whole.

7. The emergence of large trading blocs in different parts of the world and attempts by countries to manage trade bilaterally tended to erode the principle of multilateralism enshrined in the General Agreement on Tariffs and Trade. That pointed to the need to strengthen the multilateral system through the successful conclusion of the Uruguay Round of multilateral trade negotiations, and to broaden the base of international policy co-operation and co-ordination in the interrelated areas of trade, investment and finance.

2. The external environment and developments in the ESCAP region

8. Although the growth of the developing economies of the Asian and Pacific region at the end of the decade was notably less dependent on the growth of the industrialized countries, the slow-down of the world economy in 1989 considerably affected the overall growth rate of the developing ESCAP region, which fell to 6.1 per cent in 1989, compared with 9.2 per cent in 1988.

9. However, this was largely explained by the weakening of the stimulus which the developing economies of the region had received in the second half of the 1980s owing to the decline in the United States dollar, international interest rates and oil prices. Despite continuing international imbalances, the dollar strengthened in 1989, interest rates increased and oil prices firmed up. In addition, the newly industrializing economies were forced to appreciate their currencies and were under pressure to reduce their trade surpluses with the United States of America and Europe. In 1989, the rate of growth of exports and output in the newly industrializing economies had decelerated to about half that in 1988.

10. The high growth rates which the countries members of the Association of South-East Asian Nations (ASEAN) generally sustained in 1989 were partly the result of the large inflow of foreign direct investment from Japan and the newly industrializing economies of the region. These investment flows had been propelled by currency appreciation, the rise in domestic costs and the strong protectionist pressure against the exports of newly industrializing economies and Japan, which forced those economies to relocate some of their industries to the ASEAN countries and to China. The slow-down in the growth of the South Asian economies was related more to domestic factors, including weather-driven agricultural production cycles, than to external factors. Nevertheless, these economies also experienced investment stagnation owing to extremely low rates of domestic savings and lack of a sufficient volume of external resources.

11. A large number of countries in the ESCAP region continued to depend on external resource inflows to meet their investment and balance-of-payments financing needs. Despite the growing importance of foreign direct investment in total financial flows, the region was still heavily dependent on official development finance, including official development assistance (ODA) and non-concessional lending from multilateral institutions. The official sources of finance accounted for more than 60 per cent of the total net resource flows to the

region in 1988, with the region's least developed and other low-income countries being almost exclusively dependent on them. These countries, which received very little of the private capital inflows, had recently experienced a decline in the total volume of official development finance, although since 1986 there had been some increase in ODA flows.

B. Recent macro-economic performance of the developing ESCAP region

12. The slowing down of economic growth in the developing ESCAP region in 1989 showed a definite subregional pattern. Deceleration of growth rates was more marked in the economies of East and South Asia than in those of South-East Asia. Rates of growth in South-East Asia were sustained at a level close to the high rates achieved during the previous two years. With a few exceptions, the growth performance of the least developed and the Pacific island economies remained weak.

13. China and the newly industrializing economies of East Asia experienced a sharp deceleration in growth in 1989 from their double-digit growth rates in previous years. The economy of Hong Kong had already experienced a fall in its growth rate in 1988 to 7.4 per cent from 13.8 per cent in 1987; its rate of growth decelerated further in 1989 to 5 per cent. The growth rate of the Republic of Korea decelerated to 6.5 per cent in 1989 from 11.3 per cent in 1988. Similarly, in 1989 economic growth in China fell to a rate of 6.5 per cent from 11.4 per cent in 1988.

14. In South-East Asia, Indonesia succeeded in improving its growth performance from 5.7 per cent in 1988 to 6.2 per cent in 1989, as a result of the continuing success of its efforts to diversify the economy away from dependence on oil and gas. Malaysia also sustained a rate in 1989 that was close to its 7.8 per cent achievement in 1988. The economy of Thailand was one of the fastest growing in the region in 1989, although the rate of growth was expected to be about one percentage point below the 11 per cent growth achieved in 1988. Rapid growth in the export of manufactures and an investment boom supported by large inflows of foreign direct investment were major factors sustaining the high rates of economic growth in Thailand. The economies of the Philippines and Singapore decelerated somewhat in 1989, the rate of growth in the Philippines declining to 5.7 per cent from 6.3 per cent in 1988. The economy of Viet Nam improved considerably in 1988, national income growing at 5.9 per cent compared with 2.1 per cent in 1987. The economy appeared to have responded well to the various measures of policy liberalization adopted by the Government in recent years.

15. In South Asia, economic growth in 1989 was slower than in 1988. India's rate of economic growth declined to an estimated 4.5 per cent from 10.6 per cent in 1988. The growth in the economy of Pakistan had been decelerating over the past two years, with rates of growth of 6.2 per cent in 1988 and 5.1 per cent in 1989, compared with an average rate of 6.8 per cent during the period 1985 to 1988, as a result of efforts to contain high fiscal and balance-of-payments deficits. In Sri Lanka, continued political problems, a decline in foreign assistance and worsening terms of foreign trade had resulted in the slowing down of economic growth rates since 1987. In 1989 the economy was expected to expand by 3.2 per cent, compared with 2.7 per cent in 1988.

16. Among the least developed countries of the region, Afghanistan suffered a decline in gross domestic product (GDP) of 6.8 per cent in 1988 owing to the sharp fall in both agricultural and industrial production. In Bangladesh, the real GDP growth rate declined from an average of 4.3 per cent during the period 1986-1987 to 2.6 per cent in 1988 and an estimated 2.4 per cent in 1989, although more recent information indicates a higher rate of growth in 1989. The decline was mainly a consequence of the devastating floods of 1987 and 1988.

17. Bhutan and Maldives were the two least developed countries which achieved relatively high rates of growth in recent years. Bhutan achieved a compound rate of real economic growth of 8.7 per cent during the period 1980-1987. Spurred by significant growth in fishery and tourism, the GDP of Maldives grew by 13.9 per cent in 1987, which moderated to 8.7 per cent in 1988. On the other hand, the GDP of Myanmar registered a growth of 3.2 per cent in 1988, which was an improvement upon the 2.3 per cent rate achieved in 1987. Nepal also suffered a deceleration in GDP growth to only 1.5 per cent in 1989 compared with a growth rate of 9.7 per cent in 1988.

18. Many of the South Pacific economies performed well in 1989, with Fiji anticipating a double-digit growth rate. However, Papua New Guinea, the largest island country in the South Pacific, was stagnating after its mineral production had been disrupted by the closure of its largest mining complex in Bougainville. The economy of the Solomon Islands achieved a rate of growth of 5 per cent in 1988, reversing a weather-related decline of 3 per cent in 1987.

C. Development in major sectors

1. Agricultural growth

19. Despite significant changes in the production structure of the developing economies of the ESCAP region, agriculture remained the most important sector in a majority of them. A sharp drop in the agricultural growth rate to around 2.8 per cent in 1989 from about 7.3 per cent in 1988 was, therefore, a major factor in the moderation of the overall economic growth rate in the region in 1989. Although policy-induced changes had a significant bearing on the performance of the agricultural sector, weather-related uncertainties and price changes in the world market had a decisive influence on the performance of agriculture in most countries of the region. The high rates of agricultural growth in 1988, which largely reflected the recovery of farm output from the effects of severe droughts in the previous years, could not be sustained in 1989. Although 1989 was relatively free from natural disasters, the prices of a number of export commodities weakened after briefly recovering in 1987-1988.

20. In China, one of the major agriculture producing countries, the rate of growth of the agricultural sector in 1989 was 3.5 per cent, which was slightly above the rate of 3.2 per cent in 1988. The improved performance in 1989 was the result of increased investments, greater availability of inputs, and higher procurement prices for grains, cotton and oil-seeds, providing incentives for producing them. Unlike 1988, agricultural production in 1989 was relatively free from the effects of natural calamities.

21. Agricultural growth in South-East Asia in 1989 showed little overall change from the 1988 pattern. In South Asia, there was a general deceleration in the sector's growth performance in 1989 following very high growth rates in 1988. In some of the least developed countries, such as the Lao People's Democratic Republic and Myanmar, agricultural production improved in 1989 over 1988. Among the Pacific island economies, Fiji achieved a slower growth rate of 1.3 per cent in 1989 as against 3.4 per cent in 1988, largely because of stagnation in sugar-cane, which was the country's major agricultural crop. In Papua New Guinea, the sector's growth rate declined from 3.6 per cent in 1988 to 2.2 per cent in 1989, largely owing to weaker prices for commodities such as copra and coffee.

2. Industrial growth

22. The developing ESCAP region had achieved significant industrial progress by the end of the 1980s. In many countries efforts were made to consolidate this progress through a process of restructuring and policy reforms so as to be able to sustain the growth momentum. There was considerable diversity, however, in the region's industrial progress.

23. In East Asia, industrial growth slowed down generally in 1989. In China, which had maintained high rates of industrial growth until 1988, there was a marked deceleration in 1989 to around 10 per cent from a 20.7 per cent rate of growth in industrial output values in 1988. This was largely a result of government policies to restrain further rapid expansion in order to maintain price stability and consolidate the growth process. The slow-down in the industrial growth of the newly industrializing economies of Hong Kong and the Republic of Korea in 1989 stemmed from difficulties in the export market as well as domestic wages and cost increases. Thus Hong Kong's manufacturing activity expanded by 13 per cent in 1989, much slower than in previous years. In the Republic of Korea, manufacturing output growth fell drastically in 1989, from an annual rate of 16.8 per cent during the period 1985-1989; frequent work stoppages, rapid wage increases, and appreciation of the currency caused the export-oriented industries to lose their competitive advantage and growth to slow down.

24. In South-East Asia, although industrial growth was sustained at relatively high levels, growth rates were slower in 1989 compared with the previous two years. The index of Indonesia's industrial production fell from a 15.5 per cent growth in 1988 to a 2.5 per cent growth during the first half of 1989. In Malaysia, value added in manufacturing was projected to have grown by 13.5 per cent in 1989 after a rate of 18 per cent in 1988. In the Philippines, the industrial sector growth rate was 8.5 per cent in 1988 and 7.5 per cent during the first half of 1989. In Singapore, the manufacturing sector, after growing at a rate of 18.4 per cent in 1988, decelerated to a rate of 9.7 per cent in the first half of 1989. In Thailand, industrial output increased at a rate of 12.8 per cent in 1988 and grew at 12.4 per cent in the first half of 1989.

25. In South Asia, India achieved a much faster rate of industrial growth with an average annual growth rate in manufacturing of about 8.5 per cent during the period 1985-1988. Several groups of industry registered even faster growth during the

period 1988-1989. Pakistan achieved a growth rate of 7.6 per cent in manufacturing value added during the period 1986-1988. However, in fiscal year 1989 the growth rate slackened to only 3.1 per cent. The manufacturing sector in Sri Lanka recorded a growth rate of 4.1 per cent in 1989, mainly concentrated in the small industrial sector.

26. Industrial growth in the least developed countries of the region, with their existing narrow industrial base, remained weak. For example, in Bangladesh, the manufacturing sectors with a contribution of only about 8 per cent to GDP, grew at an average annual rate of about 4 per cent during the 1980s. Similarly, in Nepal, the manufacturing sector, accounting for about 6 per cent of GDP and consisting mainly of light manufacturing, tended to stagnate during the period 1988-1989.

D. International trade and balance of payments

27. After two years of rapid growth, the foreign trade sector of the developing economies of the ESCAP region also slowed down in 1989. However, as in 1988, in many countries in 1989 imports were increasing faster than exports. This widened the trade deficits in those countries; in a few economies, such as the Republic of Korea, it reduced the surplus.

28. In East Asia, the value of China's exports grew at a rate of 20.5 per cent in 1988; for the first eight-month period of 1989, the value of exports increased by 9.5 per cent compared with the 22.3 per cent growth during the corresponding period of 1988. The Republic of Korea's exports grew at a rate of 7.5 per cent during the first half of 1989, compared with 28.4 per cent annual growth in 1988. Hong Kong's exports increased at a rate of 17.5 per cent during the first eight months of 1989 compared with 30.4 per cent annual growth in 1988. Imports generally grew faster than exports in 1989, sharply reducing the trade surpluses which the Republic of Korea had developed since 1986, whereas in China the trade deficits widened.

29. Most economies of South-East Asia maintained their high rates of trade growth in 1989, although rates of export growth were slightly lower in some cases compared with achievements in 1987 and 1988. The total exports of Indonesia, which grew at a rate of 13.7 per cent in 1988, were expected to improve their performance in 1989. Non-oil exports had increased rapidly and the prospects of oil exports had improved as a result of the firming of oil prices during the latter half of the year, although total exports during the first half of 1989 had increased by 10 per cent over the same period of 1988 owing mainly to lower oil prices. The export growth of Malaysia in 1989 was expected to be limited to 15-16 per cent, about the same rate as in 1988. The exports of the Philippines, which had grown at a rate of 26.4 per cent in 1988, grew at a rate of 14.5 per cent during the first half of 1989. Singapore also experienced an export slow-down in 1989, as indicated by 16 per cent growth during the first half of the year compared with 37 per cent growth in 1988. Weak demand for electronic goods was mainly responsible for the slow-down in Singapore. Thailand maintained the highest rates of trade growth in the region, with exports growing at a rate of 32 per cent in 1989, although the rate was lower than the 35 per cent recorded in 1988.

30. In South Asia, India experienced a faster increase in exports than in imports, helping to reduce somewhat its structural trade deficits. In Pakistan export growth was slower than import growth, thus worsening that country's trade deficit. Sri Lanka was also experiencing a slower growth in exports and a wider deficit in the trade balance in the period 1988-1989.

31. Among the least developed countries, Bhutan, Maldives, Nepal and Samoa achieved improved export growth in 1988, whereas the performance of Bangladesh and Myanmar was worse in 1988 compared with their performance in 1987. The outcome in 1989 was worse for all of them. Similar weaknesses prevailed in the foreign trade sector of the Pacific island economies.

32. Many of the developing economies of the ESCAP region experienced a deterioration in the current account balance of payments in 1988 and the prospect was for further deterioration in 1989. Indonesia, Malaysia, the Republic of Korea and Singapore improved their current account balances in 1988. The improvements, however, were unlikely to be sustained in 1989, as imports were rising faster than exports in all cases. The least developed and the small island economies of the region also continued to face relatively large deficits in their trade and payment balances, although in some cases improvements had been achieved in 1988 largely owing to moderate growth in imports.

E. Fiscal and monetary developments

1. Fiscal developments

33. As administrative controls on production, trade and investment activities were being liberalized in many developing countries of the ESCAP region, monetary and fiscal policies and measures tended to assume greater importance in economic management and stabilization as well as in the developmental functions of resource mobilization, investment stimulation and resource allocation. At the same time their role remained important in serving social objectives, such as greater distributional equity.

34. The importance of governmental fiscal operations is indicated by the relative share of government revenue and expenditure in GDP. Judged by these criteria, the size of government operations in the developing economies varied widely. For example, in 1988, total government expenditure as a proportion of GDP varied between 12 per cent in Hong Kong and 34 per cent in Sri Lanka. Countries which had relatively low ratios of expenditure to GDP, below 20 per cent, were Bangladesh, Myanmar, the Republic of Korea and Thailand, while China, Fiji, Indonesia, Malaysia, Nepal and Pakistan had ratios above 20 per cent. The revenue shares in GDP were generally lower than the expenditure shares, indicating that budgetary deficits were run by most Governments of the region. In recent years no major changes have been observed in either the government expenditure or revenue shares, although in some cases the share of expenditure has tended to decline, reflecting policies to limit the Government's role in the economy and to reduce budgetary deficits.

35. Many of the developing economies of the ESCAP region made successful efforts in the 1980s to adjust their fiscal systems through the rationalization of public expenditure and the reform of tax structures. Institutional revamping of public sector operations was also introduced to improve efficiency of resource use. In many instances government-administered prices were raised to reduce enterprise losses and the subsidies involved. The thrust of revenue efforts was towards improving tax administration to minimize revenue leakages rather than raising tax rates, and towards rationalizing existing structures.

2. Monetary developments

36. During the period 1987-1988, money supply (M_1) grew strongly in many countries of the region, particularly in China, Fiji, India, Nepal, Pakistan, the Philippines, the Republic of Korea, Sri Lanka and Thailand and in some of the small Pacific island countries also. Strong demand for domestic credit and a buoyant external sector were responsible for monetary growth in most cases. Available data also indicated strong monetary growth during the first two quarters of 1989. However, inflationary pressure developed in many countries, propelling Governments to adopt policies to restrain further monetary growth.

37. The policy instruments used for such restraints included the traditional open market operations, reserve manipulation and discount rate changes. However, in view of the limited effectiveness of the money and capital markets in most developing countries, the central banks continued to use direct methods such as credit ceilings and allocation directives. In many cases, however, interest rates were more frequently used to encourage savings and discourage excessive borrowings.

38. The longer-term objectives of more efficient mobilization and allocation of domestic savings were also pursued through institutional and policy changes in the financial sector. Measures taken included deregulation of interest rates and credit allocation, and the promotion of a more efficient commercial banking system and capital markets.

F. Selected aspects of social development

1. Urbanization

39. The urbanization process and the problems of urban life in the region bring sharply into focus some of the pressing social issues. The urban population in most countries of the region has been increasing at a much faster rate than the overall population during the past two to three decades. However, the overall level of urbanization in terms of the proportion of the total population in the region was still lower than in the other regions, including the developing regions of Africa and Latin America. Even with a lower proportion of the total population urbanized, the absolute numbers involved are vast, requiring much more urban space and amenities than can be developed quickly enough with the available resources.

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40. The size of the urban population in the region is projected to increase from around 360 million in 1960 to more than 1.2 billion by the year 2000, a more than threefold increase during the 40-year period. The high rate of urban growth has been largely due to migration from the rural areas to the urban areas owing to both the "push" of rural poverty and the "pull" of urban opportunities and amenities. In urban areas the natural increase tends to be lower, birth rates falling faster than in the rural areas.

41. Another characteristic of urban growth has been that a large proportion of all urban inhabitants has been concentrated in a small number of large-sized cities rather than in a large number of relatively small urban settlements. Thus, Bangkok, Bombay, Calcutta, Delhi, Dhaka, Jakarta, Karachi, Madras, Manila, Seoul and Shanghai, have all developed into mega-cities, most of them having more than 5 million people in 1980 and expected to have between 10 and 16 million by the year 2000.

2. Health and nutrition

42. Health and nutrition affect not only people's welfare but also their productive ability. A number of improvements have taken place in the health and nutrition standards in the developing countries of the region. For example, most countries have met the average minimum calorie requirement, infant mortality rates have declined, life expectancy has increased and health services in general have improved. There is much more yet to be achieved, since the prevailing standards are still far below those achieved in other regions.

II. LEAST DEVELOPED AND PACIFIC ISLAND COUNTRIES IN THE ESCAP REGION: PATTERNS OF ECONOMIC GROWTH AND STRUCTURAL TRANSFORMATION, AND IMPLICATIONS FOR DEVELOPMENT POLICY AND PLANNING FOR THE 1990s

43. The second part of the Survey examines the process of economic growth and structural transformation in the 11 least developed countries and 13 Pacific island economies of the ESCAP region over the last two decades or so. The study is related to the theme topic, "Restructuring the developing economies of the ESCAP region", adopted by the Commission for its forty-fifth and forty-sixth sessions in 1989 and 1990. It attempts to fill the gaps in an earlier study prepared by the ESCAP secretariat, which was before the Commission at its forty-fifth session. The Commission was of the opinion that the study needed strengthening in respect of the least developed and Pacific island economies of the region. The Survey therefore focuses on the special development barriers of a physical, structural and institutional kind faced by these groups of countries. It devotes particular attention to policy issues and options as regards the improved mobilization of both domestic and external resources for more balanced growth and restructuring in the next decade, including the development of the required human resources.

A. Overview

44. The least developed and Pacific island countries share several of the basic common denominators of underdevelopment, which sets them apart from the mainstream of the development process in the ESCAP developing region. These characteristics include low levels of per capita income, the predominant share of subsistence activities and limited contribution of industrial output to gross domestic product (GDP) or net material product (NMP), high rates of unemployment or disguised unemployment, and generally poor indicators of the quality of life (infant mortality, adult literacy, nutrition levels, health care, access to safe water, housing standards, among others). Historical factors and significant inflows of capital and remittances largely account for the better performance of Pacific island countries in some of these respects.

45. These symptoms of underdevelopment stem largely from serious structural constraints on economic growth and transformation, a narrow and less flexible resource and production base, widespread deficiency of basic infrastructures and prevalence of low-level technological development, and inadequate domestic savings and capital formation. These structural constraints are often compounded by considerable geographical fragmentation and external isolation, frequent incidence of and proneness to natural disasters, and absence of a viable institutional framework. As a result, these economies are often subject to acute pressure on foreign exchange and disruptive compressions of imports, and heightened vulnerability to external shocks - such as cyclical export instability, oil price shocks, and weather-induced food crises. The nature and severity of these often insurmountable development constraints are far from uniform or comparable among the least developed and Pacific island countries. Nor are these constraints totally absent in, or different from, those faced by other developing countries, except in the intensity, frequency and simultaneity with which they occur in the disadvantaged groups of economies under consideration in one country or at a particular point of time.

46. The combination of highly difficult development conditions and constraints has impacted adversely on the pace and patterns of economic growth and structural transformation in the least developed and Pacific island countries. With few exceptions, including Bhutan and Maldives, the rate of increase in aggregate production and income has been very slow relative to consumption and investment needs, particularly in the larger economies of the Asian least developed and the Pacific island subregions. In particular, the average rates of growth in GDP/NMP, ranging mostly from 2 per cent to 6 per cent annually during the 1970s and 1980s, have been inadequate to permit any noticeable improvement in local living standards. In addition, economic growth in the Pacific islands slowed down considerably in the 1980s, causing a deterioration or stagnancy in income per head of population over a large part of the subregion.

B. Asian least developed countries

47. Agriculture remains the predominant sector in the Asian least developed countries, except Maldives. In spite of notable improvements in productivity

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through the application of modern inputs in production, distribution and marketing, agricultural growth and hence domestic economic activities have been erratic owing, in part, to unpredictable weather conditions. Of equal concern is the failure of cereal output to keep up with population growth in the larger countries, except Myanmar. These unfavourable developments, compounded by undiminished population pressure, render even more serious the existing problems as regards the availability of cultivable land and the environment in Bangladesh and Nepal in particular; they also aggravate the difficulties facing landless labourers and marginal farmers, two large but heavily disadvantaged and very poor sections of the rural community.

48. The relative importance of the industrial sector in the Asian least developed countries has remained highly limited and, with few exceptions, overall industrial growth has been sluggish over the past two decades or so. The obstacles to industrialization include the small size of the markets, inadequate modernization, inappropriate size of economic manufacturing plants, excess capacity, and the lack of linkages between large-scale and small enterprises. Bangladesh and Nepal are among the countries which have implemented wide-ranging sectoral and policy reforms designed to increase industrial efficiency and competitiveness, upgrade technologies, promote diversification and exports and improve public sector enterprises.

49. The relative share of services in domestic output has grown in the Asian least developed countries (except Afghanistan, the Lao People's Democratic Republic and Myanmar). However, such expansion tends to reflect more of the inability of the agricultural and manufacturing sectors to absorb the surplus or unemployed labour force, rather than the increasing industrial, technological and organizational sophistication in most of the countries concerned. Under the present circumstances, the new industries and products that command effective local or external demand would require not only massive investments relative to national savings, but also a high content of factor and commodity imports (equipment, technologies, marketing services). The growth and diversification of the local manufacturing and service sectors to provide more gainful employment would thus face insurmountable barriers without an accommodating international and domestic policy environment, among other prerequisites.

C. Pacific island economies

50. The pace of economic expansion in most of the Pacific island subregion during the past two decades or so has been rather modest. It ranged from 4 per cent to 7 per cent annually in the 1970s but slowed down sharply in the 1980s, reflecting their greater exposure to world market influences as well as other non-economic factors, including a high incidence of natural disasters. Several large island countries (including Fiji, Papua New Guinea and Solomon Islands) experienced strong growth in domestic production in the first half of the 1970s, lower growth rates on average during the early 1980s, and some recovery more recently. However, growth has been accompanied by considerable fluctuations. With few exceptions, domestic output in the small islands and atolls has tended to stagnate or has increased only marginally.

51. The modest overall growth in the Pacific island countries has hardly allowed any basic structural changes to take place in many subregional economies. Subsistence agriculture, by and large, remains an important activity while export production is confined largely to primary products (gold and copper ores, sugar, coffee, cocoa, palm oil, coconut products) subject to limited local processing. The growth in tourism in several islands (Northern Mariana Islands, Cook Islands, Guam, Fiji, Samoa, Tonga and Vanuatu) was accompanied by a considerable shift towards the service sector in the past two decades. The potential of this export activity remains considerable in the Pacific subregion although its further exploitation is likely to be constrained by inadequate facilities and infrastructure, including international transport links; there is, moreover, fierce competition among alternative destinations within the subregion itself.

52. Another aspect of economic growth and structural change concerns the migration nexus between many Pacific islands and several metropolitan countries and former colonial powers. The link is not equally open across the subregion, however. Fiji, Kiribati, Papua New Guinea, Solomon Islands, Tuvalu and Vanuatu do not have the same rights of emigration for their citizens as those accorded to the peoples of the former Trust Territory of the Pacific Islands in respect of the United States, and of the Cook Islands, Niue and Tokelau in respect of New Zealand; there are also special arrangements for citizens of Samoa and Tonga to emigrate to New Zealand. Over the years there have been substantial migration outflows from many Pacific islands, and inward private remittances have provided sizeable real resources to the economies concerned.

53. The development of the Pacific islands also encompasses two other significant and interrelated structural features. With Western contact came, among other things, the provision of public goods and infrastructure which, from a social welfare standpoint, were relevant more to a metropolitan economy than to an economy based on local domestic resources and capacity. Largely as a result, there have emerged large gaps between export earnings and import expenditure, and between domestic government revenue and expenditure in many island countries. After independence or the achievement of self-government these gaps have to be met by grant aid.

54. Related to the excess of public spending over internal revenue is the predominant role of Governments as a source of employment, particularly in smaller island economies. This provides a conduit through which cash incomes can be distributed internally among the resident kin and clans, while international migration furnishes a means for transfers across borders. The distributional aspect of government employment needs to be borne in mind in any consideration of the extent to which a lower profile for Government should be sought.

D. Policy issues, implications and options

55. The rate of national savings in the least developed and Pacific island countries, amounting to less than 10 per cent in most cases, is highly inadequate. This is due, in part, to the low level of available income. Within the existing tax system, however, there is considerable potential for improved fiscal

productivity through better design of tax instruments and regulations consistent with administrative capabilities, and through greater efficiency in tax administration as regards compliance and enforcement. Compared with other developing ESCAP economies, the tax burden tends to be lower in the Asian least developed countries, thus implying some potential for revenue enhancement through the widening and deepening of the tax base.

56. The level of government savings, which has generally been low or even negative in many of the least developed and Pacific island countries, is another matter of concern. Apart from pressing expenditure needs, such savings have been constrained by sizeable demands from public sector enterprises. This problem has long been recognized and the wide-ranging reforms in the management of these enterprises, among other areas, implemented in many countries are expected to improve their financial performance and, hence, contribution to the budget. There have also been extensive money market reforms which, among other effects, have contributed to improved financial intermediation, as well as the development of new and innovative instruments and institutions for the mobilization of investable domestic resources. Official intervention continues to exist in credit allocation and pricing, although the general trends point to an increasing emphasis on financial market signals in many of the least developed and Pacific island countries.

57. The least developed and Pacific island countries are the recipients of substantial external resources, averaging \$2.6 billion per year during the period 1985-1987. About nine tenths of this amount are channelled to the Asian least developed countries (Bangladesh and, to a much lesser extent, Myanmar and Nepal) although the Pacific island economies have received by far the highest levels of external savings per head of population. The bulk of such resources also comes from bilateral sources, reflecting the special relationships between these islands and several metropolitan countries.

58. With few exceptions, external resource inflows consist largely of ODA, the nominal value of which expanded rapidly in the second half of the 1970s, became relatively stagnant in the early 1980s and went up again from the second half of the 1980s. The proportion of grant elements, which also became lower in the early 1980s, recovered strongly to result in a marginal improvement in concessionality from the mid-1980s in many of the least developed and Pacific island countries. Generally, there was also a narrower gap between ODA commitments and disbursements, reflecting a concerted effort between donor countries and agencies and the recipient Governments to ensure enhanced delivery and more effective local absorption. There has been a rapid accumulation of external debt among the least developed and Pacific island countries. Consequently, the debt-service burden generally expanded from less than 10 per cent of export earnings on goods and services (plus private remittances in the case of Bangladesh and Samoa) in the mid-1970s to about 15 per cent a decade later.

59. The substantial flows of foreign direct investment to and within the developing ESCAP region have largely bypassed most of the least developed countries of Asia and many Pacific island economies. In the case of the latter group, this is due more to their highly limited resource endowments, and hence economic opportunities and potential, than to the absence of any external business interest

and bilateral arrangements for the promotion of trade and joint business ventures between the islands and the developed countries of the Pacific. Among the least developed and Pacific island countries, Papua New Guinea has been the destination of the most substantial amount of foreign investment, which is channelled largely to the mining subsector.

60. There has been an enhanced appreciation of the crucial role of human resources development in economic growth and structural transformation. Education and technical training are at the heart of such development. Most of the least developed and Pacific island countries have made undeniable progress in these areas, although many still have a long way to go as regards the elimination of illiteracy and attainment of universal primary education, among other key objectives. Issues of quality, relevance and the balance between different levels and types of education and training continue to present major problems, and necessitate very difficult trade-off decisions that have to be made in accordance with the limited resources available.

61. Although the possibility of a significant increase in agricultural output exists in most of the Asian least developed countries, the sector cannot be relied on indefinitely as a source of economic growth and structural transformation. Notwithstanding the immediate importance of improving agricultural performance, development of the manufacturing and service sectors would be the key element in the long-term development of those countries. Given the limited domestic market, a major part of the growth in industrial and service output is likely to come from external demand. In addition, it is likely that external co-operation will be required to generate and upgrade domestic technical capabilities and supplement national savings. Orientation towards international markets will have to be fostered through the application of relevant policies.

62. In the Pacific island subregion, the possibility has to be considered that in the many smaller, poorly endowed economies, the process of growth and change has basically reached a stable equilibrium. Any further increase in income is likely to derive not from the expansion of goods and services but from the growth of essentially external sources of income, such as migrant remittances, interest on invested trust and other funds, fishing and site leasing fees and others. Indeed, the achievement of sustainable growth should be seen in terms of people rather than national boundaries.

63. Rent incomes, however, are far less important in the larger Pacific island countries; Australian budgetary aid to Papua New Guinea is one of the notable exceptions. There has been a gradual transition from specialization in exports of primary commodities to exports of manufactures in some of these countries. However, much stronger efforts to improve the human resource base through appropriate education, health and labour policies are needed in order for the continued structural transformation of these economies to be successful. At the same time, the maintenance of price stability and a realistic exchange rate, along with other macro-economic policies that do not penalize export initiatives, are also needed.

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GENERAL DISCUSSION OF INTERNATIONAL ECONOMIC AND SOCIAL POLICY,
INCLUDING REGIONAL AND SECTORAL DEVELOPMENTS

REGIONAL CO-OPERATION

Summary of the survey of economic and social conditions
in Africa, 1988-1989

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I. THE OVERALL SITUATION

1. After a series of crises, including prolonged and widespread droughts, which engulfed the African region for most of the decade of the 1980s, economic performance improved modestly in 1988 and 1989. Nevertheless, the economic situation remains extremely fragile and highly susceptible to the influence of exogenous factors, notably those relating to the unstable international economic environment and domestic structural limitations of the African region. Gross domestic product (GDP) at factor cost grew by 2.9 per cent in 1989, following a rise to 2.4 per cent in 1988 and a rise of only 0.4 per cent in 1987 (see table 1). A major factor in the modest recovery was the buoyant agricultural conditions which prevailed for two years in a row, reinforced by the favourable impact of the domestic policy reforms adopted along the lines of Africa's Priority Programme for Economic Recovery 1986-1990. ^{1/} In addition to improving the food supply situation, the rise in agricultural output of 2.8 per cent in 1988 and 3.1 per cent in 1989 also helped to boost the allied sectors, notably the agro-based industries, trade and transport. Further impetus for growth came from the mining sector and higher export earnings which, under the strong influence of the rise in oil and mineral prices, rose by 7.1 per cent in 1988 and by a further 6.2 per cent in 1989, although export volumes declined by 1.8 per cent and 8.6 per cent respectively. In 1989, oil prices rose by 25 per cent, while those of non-oil export commodities increased by 3.3 per cent. However, the fall of beverage prices by 17 per cent in 1989, following a decrease of 11.6 per cent in 1988, had a dampening effect. Indeed, the fall in coffee and cocoa prices to their 14-year low had a devastating effect on the economies of a number of countries, notably Cameroon, the Central African Republic, Côte d'Ivoire, Rwanda and Uganda.

Table 1. Economic indicators of developing Africa, 1987-1989

	1987	1988	1989
Real GDP growth (per cent factor cost)	0.4	2.4	2.9
Domestic demand			
Growth (per cent)	-1.4	1.8	3.2
Inflation rate	12.9	20.1	20.9
Commodity prices (1980 = 100)	2	52.8	63.5
Petroleum production (millions of metric tons)	241.1	246.4	257.9
Petroleum prices (\$/barrel)	17.8	14.4	18.0
External debt (billions of \$)	241.0	249.7	256.9
Current account balance (billions of \$)	-10.2	-8.8	-7.7

Source: ECA secretariat.

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2. Structural rigidities, notably the fragmentation, narrowness and backwardness of the production base and infrastructure, and the continuation and sometimes even accentuation of the external resource constraints continue, as always, to dampen the recovery process. The inadequacy of financial inflows to support policy reforms and the escalating debt service obligations had a profoundly deleterious effect on the region's efforts to extricate itself from its present development doldrums.

3. The situation has not, however, uniformly improved all over the region; there were significant differences in performance among the various subregions and economic groupings (see table 2) and countries. At the subregional level, the East and southern and West African subregions continued to show rates of growth exceeding the regional average, with the 1989 outcome generally better than the 1988 outcome. In contrast, GDP performance in the Central and North African subregions continued to be weak, with the rate of growth of GDP well below that of population. West Africa enjoyed strong growth in 1988 and 1989, with GDP growing by 3.0 per cent and 3.1 per cent respectively. In the East and southern subregion as a whole, GDP growth was maintained at over 3 per cent during the past three years. In Central Africa, on the other hand, economic growth continued to be weak, posting only growth rates of 1.4 per cent in 1988 and 1.6 per cent in 1989, following a negative growth of 1.5 per cent in 1987. Similarly, in North Africa, growth picked up slowly, rising from a negative rate of 0.4 per cent in 1987 to a positive 1.8 per cent in 1988 and 2.8 per cent in 1989.

4. Performance also varied at the level of economic groupings and countries. Output growth in African OPEC members increased from a negative of 1.1 per cent in 1987 to a positive 1.2 per cent in 1988, and 3 per cent in 1989. The non-oil exporters, however, enjoyed higher rates of growth, namely 1.7 per cent, 3.8 per cent and 3.1 per cent, respectively. Growth in the African least developed countries was generally higher than in other economic groupings and the region as a whole. However, this group of countries continues to be structurally and economically the weakest among all the economic groupings.

5. The frequency distribution of countries according to GDP growth rates shows that the number of countries in the region experiencing negative growth rates has declined sharply from 15 in 1987 to 8 in 1988 to only 4 in 1989. However, only two countries, Botswana and Mauritius, have been able to record consistently high rates of growth over this period.

6. As for expenditure on GDP, domestic demand, spurred by a strong rise in private consumption expenditure, rose by 3.2 per cent in 1989, following a rise of only 1.8 per cent in 1988. Public consumption, on the other hand, grew by only 0.3 per cent in 1989, reflecting the intensification of retrenchment measures widely applied in recent years, which has also adversely affected public sector investment activities. Largely as a reflection of this, gross fixed capital formation grew only marginally in 1988 and 1989, posting rates of growth of only 0.6 per cent and 1.4 per cent, respectively. Indeed, the slow growth in investment spending during the 1980s resulted in the precipitous erosion of the stock of capital and the rundown of physical and infrastructural facilities.

Table 2. Output share and growth rate by subregion
and economic grouping, 1987-1989

(Percentage)

	GDP per head 1988	Output share in 1988	Growth		
			1987	1988	1989
North Africa	1 093.1	4.9	-0.4	1.8	2.8
Sub-Saharan Africa	483.8	60.4	1.1	2.7	3.0
Central Africa	533.7	10.3	-1.5	1.4	1.6
East and southern Africa	245.0	12.8	3.5	3.3	3.8
Southern Africa	372.8	4.7	1.6	4.0	3.3
West Africa	657.5	34.9	0.9	3.0	3.1
Sahel countries	188.4	3.4	1.4	4.5	1.5
Sub-Saharan Africa without Nigeria	361.0	34.3	1.2	2.4	2.8
Oil exporters	1 028.0	64.9	-0.2	1.6	2.8
OPEC members	1 489.2	48.4	-1.1	1.2	3.0
Non-oil exporters	351.1	35.1	1.7	3.8	3.1
Least developed countries	218.6	13.1	3.1	2.5	3.5
Developing Africa	613.1	100.0	0.4	2.4	2.9

Source: ECA secretariat.

Note: GDP measured at 1980 prices.

7. The external position continued to worsen. The deficit on the current account stagnated at the high level of \$13.8 billion in 1989, while export volumes fell by 8.6 per cent. The deficit would have been much higher had it not been for the rise of 14.8 per cent in unit values in 1989. At the same time, the stock of debt rose by about 2.9 per cent to reach a massive \$256.9 billion, amounting to about 326.4 per cent of exports of goods and services, while debt service amounted to 32.2 per cent of exports of goods and services. It is now generally recognized that without an early resolution of the debt problem the recovery process will be severely stifled.

II. MAJOR DOMESTIC SECTORS

A. Agriculture

8. As noted earlier, agricultural output grew by 2.8 per cent and 3.1 per cent in 1988 and 1989, respectively. This increase is attributable mainly to the occurrence of good weather conditions for two consecutive years and to improved incentive measures. However, the structural limitations of the agricultural sector continued to adversely affect productivity. The major beneficiary was food

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production. Cereal output is estimated by the Food and Agriculture Organization of the United Nations (FAO) at 77.9 million tons in 1989, which although about 2.6 per cent lower than the bumper 1988 crop, was about 15.4 per cent higher than in 1987. The smaller crop was partly due to the locust infestation which affected the eastern Sahelian zone. Within the cereals group, this has particularly affected coarse grains, the output of which fell by 6.6 per cent in 1989. Wheat and rice, on the other hand, posted increases of 11.3 per cent and 7.1 per cent, respectively, in 1989. Roots and tubers are also estimated to have grown by 1.8 per cent.

9. An interesting feature of the food supply situation in 1989 was the increasing number of countries holding surplus food for export. In East and southern Africa, Kenya, the United Republic of Tanzania, Zambia and Zimbabwe, between them, held grain surpluses estimated at about 1,070,000 tons. In West Africa, seven countries, namely, Côte d'Ivoire, Burkina Faso, Ghana, Togo, Mali, Benin and Gambia, had a combined surplus, estimated by FAO at 520,000 tons in 1989, about half of which was held by Mali. However, the 1989 coarse grain and milled rice of the nine countries of the Inter-State Committee for the Control of Drought in the Sahel (CILSS) is estimated to have declined by about 9 per cent from its record harvest of 1988 to 7,900,000 tons in 1989.

10. Despite a food grain surplus of about 1,200,000 tons realized in 1989, Africa's food aid needs have increased in the period 1988-1989. The food grain import requirements of the 43 low-income, food-deficit countries were estimated to have risen by about 3.8 per cent to reach 18,388,000 tons in 1989.

11. Except for cocoa, whose production fell by about 3 per cent, and tobacco, which stagnated, the production of other major industrial crops increased in the period 1989-1990, with coffee growing by 5.6 per cent, tea by 7.5 per cent, cotton by 5.9 per cent and sugar by 2.1 per cent. This, however, was in contrast to the experience with producer prices which, almost without exception, fell in 1989, reflecting the weakening in the international prices of tropical products. In Côte d'Ivoire and Cameroon, for example, guaranteed prices paid to cocoa producers were drastically cut by 50 per cent and 40.5 per cent, respectively, in 1988 and 1989. The overall weighted cocoa price index (1980 = 100) fell by about 25 per cent in 1989. Coffee prices also plummeted to their 14-year low. In Kenya, for example, local coffee prices fell by about 34.4 per cent to KSh 30,000 per ton in 1989.

12. Efforts at policy reforms have been intensified, and higher priority is being accorded the agricultural sector as called for by Africa's Priority Programme for Economic Recovery. Many countries have been striving to achieve, while some have actually exceeded, the 20 to 25 per cent ratio in total investment allocation recommended by the Programme to upgrade the techniques of production and agricultural infrastructure. Indeed, there is much scope and need for further intensification of efforts in order to achieve the transformation of agriculture, through broadening the production base and progressively enhancing productivity. Over the medium term countries, such as Egypt, the Libyan Arab Jamahiriya, Nigeria, Senegal and Uganda, among others, are devoting over 25 per cent of their total public sector investment to rehabilitate, upgrade or create new capacities in agriculture to achieve food self-sufficiency and food security.

13. At the subregional level, a number of initiatives, aimed at strengthening the agricultural sector and improving the food security situation, have recently been launched. For example, in North Africa, the countries of the Union of Arab Maghreb (AMU) have established a subregional commission to strengthen national plant protection services in close collaboration with other subregional groupings, such as CILSS. In West Africa, the Economic Community of West African States (ECOWAS) is currently giving increased attention to the production dimension in pursuit of economic co-operation and integration. Recently, ECOWAS launched a multi-sectoral project, a major component of which deals with agricultural development. In East Africa, the Intergovernmental Authority on Drought and Development (IGADD) is promoting strategies for food self-sufficiency in its member countries. And in Central Africa, intergovernmental organizations, such as the Economic Community of Central African States (ECCAS) and the Economic Community of Great Lakes Countries (CEPGL), have taken significant steps towards orienting their policies in pursuit of the objective of greater food self-sufficiency.

B. Manufacturing

14. Largely through the impact of improved agricultural input supply and higher export earnings in some countries, the growth in manufacturing output rose from 2.6 per cent in 1987 and 4.5 per cent in 1988 to 4.9 per cent in 1989. In Africa, unlike regions with well-developed industrial sectors, industrial growth in the short term has always been input-supply constrained while, in the long term, the problem has essentially been one of inadequacy and narrowness of the nascent productive capacity. These factors, which could be traced to poor industrial planning, design and management and inadequate investment, explain the present low share of manufacturing in total GDP (12 per cent) and the unsteady growth in manufacturing value-added. This notwithstanding, efforts are being intensified to ameliorate these deficiencies and to improve the investment climate in such countries as Egypt, Kenya, Mauritius and Zimbabwe. There is also a growing shift towards the establishment of national, natural resource-based industries, along the lines called for by the Second Industrial Development Decade for Africa 2/ which targets, inter alia, raising the growth of manufacturing value-added to 8 per cent.

15. While the above are the major domestic challenges for industrial development in Africa, the recent retreat into protectionism in many developed countries and the increasingly discriminatory technological policies pursued by all of them have seriously eroded the export competitiveness of African manufactures.

C. Mining

16. The developments in the African mining sector must be seen against the background of the general volatility of the international commodity markets, the exclusively export-orientation of the sector and its severe domestic structural limitations. In the fuel subsector after the crash of 1986, oil prices and production gradually increased. In 1989 average oil prices rose by 25 per cent to about \$18 a barrel, although there were substantial variations during the year, which created considerable uncertainty for resource management in the oil-exporting countries. Similarly, oil production picked up by about 4.6 per cent to

257.9 million tons, following a rise of only 2.2 per cent in 1988. Unlike in 1988, however, the rise in output in 1989 was wholly due to the increase in the output of OPEC members, as that of non-OPEC members stagnated at around the 1988 level of 87.7 million tons. The increase in oil production in the former group arose largely from over-production during the second quarter of 1989 and from the rise in quotas during the fourth quarter. Practically all OPEC members increased their production, with the greater portion accounted for by Nigeria, the biggest regional oil producer. The stagnation in oil production in the non-OPEC group, on the other hand, was largely attributable to the stagnation of Egypt's production at its 1988 level of about 42.6 million tons, and the fall in Angola's production by 3.4 per cent to about 22.3 million tons in 1989.

17. Mineral and metal prices also rose by about 9.9 per cent, following their substantial increase of 21.7 per cent in 1988. Despite the recent strong upswing, these prices were barely above their 1980 levels. There were, as always, considerable variations in the price trends of individual commodities. In terms of production the Economic Commission for Africa (ECA) index of non-fuel minerals (based on 1982 commodity production shares) rose by 2.1 per cent, following an increase of about 3 per cent in 1988. The slow growth in production and supply difficulties, both a reflection of the structural rigidities of the African mining sector, have not allowed African producers to fully take advantage of the minerals prices boom.

D. Social situation

18. The decade of the 1980s has been characterized by a serious erosion of socio-economic conditions in Africa. Natural and man-made disasters, civil wars and political strife, structural imbalances and weaknesses, domestic policy failures and severe deterioration in the external economic environment, among others, have all contributed to economic stagnation and retrogression in the majority of African States. Thus, growing illiteracy and decelerating education, acute hunger affecting more than 150 million people by the end of the 1980s, famine, serious malnutrition, endemic diseases, destitution, widespread primary poverty, drought, environmental degradation, unemployment and underemployment are evident everywhere.

19. The population growth rate in Africa has been increasing much more rapidly than elsewhere in the world, creating unprecedented pressure on the already overstretched infrastructural facilities. Despite high infant mortality rates and low life expectancy, the total population of Africa is around 591 million and is expected to cross the one billion mark by the year 2008 if the present trends continue. This high rate of population growth distinguishes the African region from other world regions. Also, a high percentage of the population is young - about 45 per cent are under 15 years of age, whereas in developed regions, the dependency ratio is 22 per cent. The high dependency ratio has particularly serious implications for health, education and housing and is a serious impediment to the development process.

20. The institution of the family has been faced with growing financial insecurity and inaccessibility to basic goods, including decent housing and minimal medical

care. Most importantly, it has had to contend with growing food insecurity and the stress imposed by the absence of a comprehensive social policy on family welfare in most African countries.

21. Refugees, most of them women and children, reached the 6 million mark at the end of 1989 following frequent natural and man-made disasters, civil conflicts and war, and the disabled are estimated to be 10 per cent of the entire population.

22. This bleak social situation has persisted despite the guidelines, priorities and strategies laid down in the Lagos Plan of Action for the implementation of the Monrovia Strategy for the Economic Development of Africa, 1980-2000, 3/ Africa's Priority Programme for Economic Recovery 1986-1990, 1/ the United Nations Programme of Action for African Economic Recovery and Development 1986-1990, 4/ the Khartoum Declaration: Towards a Human-focused Approach to Socio-Economic Recovery and Development in Africa, 5/ the African Alternative Framework for Structural Adjustment Programmes for Socio-economic Recovery and Transformation, 6/ the African Charter for Social Action, the Abuja Statement on Economic Recovery and Long-term Development in Africa 7/ and the African Charter for Popular Participation in Development and Transformation. 8/ It follows, therefore, that a faithful implementation of these African blueprints is an imperative and urgent necessity.

III. THE EXTERNAL SECTOR

23. Although both exports and imports increased in value terms, the payments position remained tight in 1989. On a c.i.f. basis, export revenues were estimated at \$61.4 billion which represents a 6.4 per cent increase over the \$57.7 billion recorded in 1988. This increase was mainly attributable to a 14.8 per cent increase in export unit values, as export volumes declined by a further 8.6 per cent following their fall of 1.8 per cent in 1988. The strong rise in export unit values was essentially due to the rise in oil prices by 25 per cent and the increase in minerals and metal prices by 9.9 per cent. However, the fall in beverage prices by a further 17 per cent in 1989 had a dampening effect and resulted in a substantial reduction in the export earnings of beverages exporters, notably Cameroon, Côte d'Ivoire, Rwanda and Uganda. Overall, however, the ECA wholesale price index of African traded commodities (based on 1980 commodity shares) rose by 19.2 per cent in 1989, and the 1989 prices are only 64 per cent of those of 1980, signifying the continued deleterious effect of the fall of commodity prices on the recovery process and the tightening of the external resource constraints on development.

Table 3. Merchandise trade of developing Africa, 1988-1990

(Annual percentage change)

	1988	1989 <u>a/</u>	1990 <u>b/</u>
Exports			
Value <u>c/</u>	7.1	6.4	1.0
Volume	-1.8	-8.6	-1.5
Unit value <u>d/</u>	8.9	14.8	2.5
Imports			
Value <u>c/</u>	12.1	5.9	4.0
Volume	5.4	4.4	0.5
Unit value <u>d/</u>	6.4	1.5	3.5
Terms of trade	2.4	8.1	-1.0
Purchasing power of exports	0.7	4.7	-2.4
Share of developing Africa in world exports (%)	2.2	2.1	2.0

Source: ECA estimates, based on International Financial Statistics data tapes of the International Monetary Fund, United Nations Conference on Trade and Development Handbook of International Trade and Development Statistics, 1988 and national sources.

a/ Preliminary estimates.

b/ Forecast.

c/ In dollar terms.

d/ At 1980 prices.

24. The value of imports increased by 5.9 per cent to \$71.7 billion in 1989. The increase resulted from positive changes both in volumes and unit values, estimated at 4.4 per cent and 1.5 per cent respectively. The increase in imports has however to be seen against the background of a preceding period of prolonged and severe import compression, and the increase in export earnings in 1988 and 1989 from their 1986 and 1987 trough.

25. The overall current account deficit in 1989 amounted to \$US 7.7 billion which, although slightly lower than the deficit of \$US 8.8 billion recorded in 1988, is none the less massive in terms of the present levels of export earnings.

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26. The structure of Africa's trade remains generally unchanged. In 1987, the latest year for which detailed commodity trade data are available, primary commodities accounted for 82.4 per cent of exports, about 70 of which are mineral fuels and related materials. Manufactured products accounted for only 14.1 per cent of exports in 1987, as against 71.5 per cent for imports. Imports of machinery and transport equipment alone represent about 34.7 per cent of total imports, while other manufactured goods accounted for another 24.7 per cent. Food items accounted for about 14.6 per cent of total imports.

27. The geographical distribution of Africa's external trade has changed little during the 1980s. Africa's major trading partners continued to be the Organisation for Economic Co-operation and Development (OECD) countries, accounting for about 77.7 per cent of Africa's exports and supplying about 70.3 per cent of its imports in 1988. The trade share of other regions in Africa's external trade more or less stagnated at low levels, although there has been a noticeable growth in the share of Asian countries and centrally planned economies in Africa's imports of machinery and transport equipment in recent years.

28. Intra-African exports represented about 6.5 per cent of total regional exports. As in previous years, mineral fuels and related materials accounted for the largest proportion of trade within the region. In 1987, exports of this commodity group accounted for 29 per cent of total regional exports. Food, beverages and tobacco accounted for 25.7 per cent. Manufactured goods accounted for 33.5 per cent.

29. Resource inflows increased from \$20.2 billion in 1987 to \$22.4 billion in 1988 in nominal terms. At 1986 prices, however, total resource flows rose only slightly from \$17.6 billion to \$18.2 billion. Overall, when all inflows and outflows are taken into account, Africa continued to experience a negative net flow of resources as it has done in the last few years.

IV. OUTLOOK FOR 1990

30. As in the past, economic prospects for 1990 will critically depend both on internal and external factors. Of particular significance during 1990 are the weather situation, progress in the implementation and sustaining of effective policy reforms and the developments in the international economic environment.

31. Available data from FAO on the early harvest outlook for 1990 indicate that growth in the agricultural output will continue to be satisfactory. Indeed, if African Governments continue to pursue reform policies and measures along the lines advocated by Africa's Priority Programme for Economic Recovery 1986-1990 ^{1/} and the African Alternative Framework for Structural Adjustment Programmes for Socio-economic Recovery and Transformation, ^{6/} agricultural growth would most probably pick up from its present 3.1 per cent to about 4 per cent. If there were to be a sustained growth in the OECD countries and if a more conducive international economic environment were to prevail, African exports could grow by as much as 6.5 per cent. If, in addition, there were to be a debt service payments fall from their present level of \$23.2 billion, the foreign exchange resource

constraints on Africa would be gradually reduced, enabling the raising of imports and sustained improvements in the supply of industrial inputs and consumer goods. Strong recovery in agriculture and improvements in the foreign resource situation would also enable the growth rate of manufacturing value-added to rise from 4.9 per cent in 1989 to 5.3 per cent in 1990. Social services will also benefit from the rebound in economic activity. As a result, overall GDP growth could rise from 2.9 per cent in 1989 to about 4.3 per cent in 1990.

32. Were an unexpected turn in the weather situation to occur in 1990, however, and if the external economic environment worsens, leading to the intensification of the resource constraints on development, the overall GDP growth rate could fall drastically far below the 1989 performance to only 1.4 per cent. That, of course, would be most unfortunate, as it would mean a bad start for the new decade of the 1990s in Africa.

Notes

- 1/ A/40/666, annex I, declaration AHG/Decl. 1 (XXI), annex.
- 2/ General Assembly resolution 44/237.
- 3/ A/S-11/14, annex I.
- 4/ General Assembly resolution S-13/2, annex.
- 5/ A/43/430, annex I.
- 6/ E/ECA/CM.15/6/Rev.3.
- 7/ ECA/CERAD/87/75, pp. 9-20.
- 8/ E/ECA/CM.16/11.



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REGIONAL CO-OPERATION

Summary of the economic survey of Latin America and the Caribbean, 1989

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I. RECENT ECONOMIC TRENDS IN LATIN AMERICA AND THE CARIBBEAN

1. As the 1980s draw to a close, most of the countries of Latin America and the Caribbean continue to struggle with inflation or seek to consolidate their stabilization efforts against a background of stagnation or even recession, despite the favourable results attained in their efforts to boost their exports. In 1989, the average per capita product of the region declined for the second year running, falling back to the level registered in 1977-1978. At the same time, average inflation surged for the third year in a row, almost reaching the level of 1,000 per cent for the first time in the history of the region. This deterioration in economic conditions took place even though the region maintained its substantial trade surplus, thanks to a generally modest increase in the value of exports and to the contraction in imports in those countries where the level of activity went down. Despite this considerable surplus, however, there was an increase in the number of countries in arrears with their external debt service commitments.
2. The general setting of stagnation and high inflation in which the region operated was largely determined by the transfer of financial resources abroad - a phenomenon characteristic of this decade - which amounted in 1989 to some \$US 25 billion. The poor performance of most of the countries of the region during 1989 - including those of the largest economic size - was particularly strongly influenced, however - as in 1988 - either by problems stemming from the upsurge in inflation or the efforts to combat this, rather than by the shortage of foreign exchange for imports. The inflationary pressures, for their part, mainly had their origin in the inability of the fiscal systems to discharge their essential functions while at the same time keeping up the payments on the external debt. As inflation and a shaky external position mutually sustain each other through exchange rate pressures, 1989 witnessed an increase in the number of countries which were obliged to give up fully servicing their external debt, and indeed, these countries included - for the first time together - three of the four biggest debtors (Argentina, Brazil and Venezuela).
3. In these circumstances, after eight years of struggling to attain adjustment, stabilization, growth, and the restructuring of their systems of production, groaning under the burden of the external debt, and with little access to fresh external finance, most of the countries of the region continue to display a complex syndrome of structural imbalances, fiscal deficits and low levels of investment, which is reflected in a prolonged period of stagnation, frequently accompanied by high inflation and serious deterioration in real wages.
4. In short, for the region as a whole the crisis of the 1980s is as bad as ever. As the decade draws to its close, the average per capita product is more than 8 per cent below that of 1980, and the countries have had to bear huge social costs. Indeed, in 1989 there were even serious outbreaks of violence in some countries, the origin of which is to be found at least partly, in the phenomenon just described.

5. According to preliminary estimates by ECLAC, the gross domestic product of the region as a whole increased in 1989 by 1.1 per cent, which was a little more than the year before, when it grew by only 0.6 per cent, but which was less than the growth of the population, so that the per capita product went down for the second year running, this time by 1 per cent.
6. The product did in fact actually go down in absolute terms in seven countries, while in 13 others it grew so feebly that their per capita product virtually stagnated or even fell. Significant growth (of more than 2 per cent per capita) was registered only in Barbados, Costa Rica, Paraguay and, above all, Chile (where the per capita product rose by almost 7 per cent). Consequently, the slight improvement in the regional average compared with 1988 was due to the fact that Brazil and Mexico - whose economies account for almost two thirds of the economic activity of the region - registered a 3 per cent increase in their product during the year: a modest growth rate, but an improvement over the virtual stagnation of the year before.
7. As already noted, the performance of most of the countries of the region continued to be impaired by inflation or by the stabilization programmes applied in order to control it. Although it is not possible to establish a strict cause-and-effect relationship between levels of inflation and economic growth rates, it is none the less true that the biggest drops in the product took place in countries like Peru (-10 per cent) and Argentina (-5.5 per cent) which were on the verge of hyperinflation, or in nations like Venezuela (-8.5 per cent) and Nicaragua (-3 per cent) which are in the midst of stabilization programmes designed to cope with high levels of inflation. High levels of inflation were also crucial in the slow growth of Uruguay (where the product grew by only 0.5 per cent) and the modest performance of the Brazilian economy, while the stabilization programmes which are under way in Ecuador and the Dominican Republic largely explain the modest growth of these countries (0.5 per cent and 3 per cent, respectively) and the fact that low levels of inflation are still in course of consolidation in Bolivia and Mexico was a major reason why their economies grew by only 2.5 per cent and 3 per cent, respectively. In contrast, the only significant increases in the per capita product took place in four countries where inflation has consistently been below 30 per cent per year (Barbados, Chile, Costa Rica and Paraguay).
8. The massive upsurges in inflation, on the other hand, were eloquent examples of the fatigue caused by the crisis and also of its structural nature. At the end of November, the 12-month figures for inflation had broken new records in Argentina (nearly 4,000 per cent), Peru (almost 3,000 per cent) and Brazil (close to 1,500 per cent). Nicaragua, however, which had registered a rate of inflation of over 30,000 per cent in 1988, managed to bring this down to 3,500 per cent (for the 12 months ending in November), thanks to a drastic stabilization programme. These extraordinarily high rates of inflation were largely due to the inability to control the public deficit - aggravated in some cases by the growing financial burden of high real interest rates on the domestic debt - together with uncertainty about future economic trends and runs on foreign exchange.

9. Another three countries (Ecuador, Uruguay and Venezuela) had inflation rates of between 50 per cent and 100 per cent per year. In the case of Venezuela, although it is true that the rate of price increases in the 12 months ending in November came to 90 per cent because of the big initial adjustment involved in the new anti-inflation programme, the rate of inflation in the last six months has in fact averaged 2.5 per cent per month. Similarly, as Ecuador's anti-inflation programme has been running longer, the 12-month rate of price increases in that country went down from a peak of almost 100 per cent in March to less than 60 per cent in November. In Uruguay, however, the annual rate of inflation has been creeping up from less than 70 per cent in 1988 to over 80 per cent in 1989.

10. On the other hand, in 12 countries inflation remained between 10 per cent and a little over 40 per cent per year. Five of them - Colombia, El Salvador, Guatemala, Honduras and Trinidad and Tobago - showed no significant variation compared with 1988. In three countries, however, there was a perceptible increase in the rate of inflation: in Paraguay it went up from 17 per cent to 33 per cent as a result of the freeing and unification of the exchange rate; in Chile it rose from 13 per cent to 21 per cent because of the excessive growth of demand, and in Jamaica the rate went from 9 per cent to 14 per cent, partly because of the impact which the hurricane of the previous year had on the supply of agricultural goods.

11. At the same time, there were significant reductions in inflation in the Dominican Republic (from 58 per cent in 1988 to 43 per cent this year), in Costa Rica (from 25 per cent to less than 14 per cent), and in Bolivia (from 22 per cent to 16 per cent). The most striking progress, however, was in Mexico, where the severe control of the fiscal sector and the policy of reconciling prices and wages made it possible to bring down the rate of inflation from 52 per cent in 1988 to less than 20 per cent in 1989.

12. From the above, it can be seen that there has been a marked decline in the number of countries which, until recently, seemed immune to the problem of inflation (especially the Central American nations). Thus, in the present year only three countries of the region (Barbados, Haiti and Panama) registered price increases of less than 10 per cent per year, thus permitting them to be considered as being free from significant problems of inflation.

13. These conditions of economic stagnation and high inflation were accompanied by an external situation which was less favourable than in the previous two years. Thus, although the value of exports rose by 9 per cent, this growth rate was significantly less than in both 1987 and 1988. Moreover, due to the previous rise in international interest rates, payments of interest and profits for the region as a whole increased by nearly \$US 4 billion.

14. In the oil-exporting countries, the growth in their exports (\$5.4 billion) was sufficient not only to cover the increase of \$1.7 billion in factor service payments but also to leave a substantial surplus, equivalent to 10 per cent of their imports, which could be used either to increase the latter or to augment the international reserves. In the case of the non-oil-exporting countries, however, the \$2.5 billion increase in the interest on their debt wiped out most of the modest growth in their exports, so that their ability to increase their imports without drawing down their reserves was severely limited.

15. In the case of the oil-exporting countries (except Peru), Chile and the Dominican Republic, their increased export value was due primarily to increases in the unit value of external sales, since the prices of petroleum, metals and sugar rose significantly in 1989. In the remaining countries, however, the increases in export value were due above all to bigger export volumes, especially in the five Central American countries, Paraguay and Peru.

16. The evolution of imports, for its part, was conditioned not only by the amount of growth of exports or by economic reactivation (as the case may be), but also by tariff liberalization or exchange rate lags (as in Mexico and Brazil) and by adjustment and stabilization programmes, which explain the big drops in imports in Argentina (-18 per cent), Nicaragua (-24 per cent), Peru (-31 per cent) and Venezuela (-34 per cent). All in all, imports grew a little less than exports (8 per cent), and as the increase in the value of exports was greater than that of the value of imports, the merchandise trade surplus expanded by nearly \$2.7 billion.

17. Even so, this bigger surplus still only represented 73 per cent of the net commitments in respect of interest and profits, as these increased because of the prior rises in LIBOR. Consequently, the current account deficit remained around \$US 11 billion for the third year running. This deficit was covered by a capital inflow of \$13.7 billion, which was much higher than the \$5.3 billion of the year before, although in actual fact the increase in the net inflow of capital into the region was due basically to Mexico and Brazil. Thus, the net capital inflow into Mexico in 1989 represented half of the total net inflow for the region as a whole. This is because, apart from the inflow of resources agreed with the creditor banks, there was repatriation of private capital on account of the attractive domestic interest rates and the climate of exchange stability generated by the agreements. In Brazil, for its part, the heavy outflow of capital (which had amounted to almost \$2 billion in 1988) was checked by the decision to build up arrears on the external debt service and establish stricter controls over foreign-currency operations.

18. In contrast with the year before - when the countries of the region lost \$5 billion of their reserves - these reserves rose by \$2.5 billion in 1989 because the net inflow of capital into the region was greater than the current account deficit. Likewise, because the net inflow of capital increased faster than payments of interest and profits, the net transfer of resources abroad went down, although it still came to nearly \$25 billion, equivalent to almost 18 per cent of the region's exports of goods and services and about 3 per cent of its gross domestic product. Furthermore, if Mexico is left out of the reckoning, the net transfer of resources abroad by the remaining countries of the region increased from \$17 billion to almost \$23 billion.

19. The nominal external debt of the region rose slightly in 1989 to some \$416 billion, which meant that in real terms it went down for the second year running, this time by some 5 per cent. On the one hand, the debt tended to go down because of the revaluation of the dollar (in the case of that part of the debt denominated in currencies other than the dollar), the debt/equity swap operations (although these were on a much smaller scale than in 1988), and the decline in the net capital flows from multilateral and bilateral finance agencies. Furthermore, there was only a very scanty inflow of voluntary fresh resources from the commercial banks.

20. In fact, the biggest source of additional "financing" was the build-up of arrears on the external debt service. Thus, only five of the 19 countries for which up-to-date information is available serviced their debt in full and on time; the other 14 (including three of the four main debtors for the first time together) built up still larger arrears during 1989. Indeed, five countries were even in arrears on their debt service commitments to multilateral agencies.

21. Owing to the way the balance of payments of the region developed, the debt/exports ratio went down slightly, while the interest/exports ratio increased somewhat. Both these indicators, however, remained at the alarmingly high levels of 315 per cent and 16 per cent, respectively. This means that even after eight years of adjustment, these indicators are still 50 per cent above the levels they registered in 1978-1980, before the debt crisis.

II. THE CRISIS AND THE CURRENT SITUATION: SIGNIFICANCE AND IMPLICATIONS

22. The year 1989 marked the end of a landmark decade in the economic history of the region. At its outset, a long period of growth was culminating amidst ominous signs that an external financial crisis was brewing against a backdrop of large-scale changes in the world economy. It closed on a note of what were in general dramatic economic and social setbacks in the region. The greatest imaginable variety of adjustment, stabilization, reactivation and restructuring efforts have been undertaken in response to the turn taken by events during a decade marked by recession, social deterioration, underutilization or even destruction of production capacities, and an erosion of State apparatuses.

23. As 1989 drew to a close, the average per capita product was 8 per cent lower than it had been at the start of the decade. Indeed, only five countries had a per capita product that was higher than it had been at the beginning of the 1980s, while in 11 countries it was over 15 per cent lower. During the same period, the welfare gap between the region and the developed world also widened considerably.

24. Total investment shrank by 20 per cent. As a result of this slowdown in investment, the region's current production capacity is 15 per cent below what it would have been if the region's pre-crisis growth and capital formation trends had not been interrupted.

25. The extraordinary export effort made by Latin America and the Caribbean was reflected in a 57 per cent expansion in export volumes as compared to 1980, although this yielded an increase of only 24 per cent in the value of the region's exports due to the decline in international prices which occurred in the interim. The growth performance of the export sector in general did not lead to a significantly higher level of imports either - which might have, in turn, contributed to an increase in economic activity - since a large part of the sector's increased earnings were used to service the external debt. Thus, the region as a whole became a net exporter of financial resources on a continuing basis, with the size of this transfer equalling approximately 4 per cent of its gross domestic product.

26. In addition to the fact that the servicing of the external debt has exacerbated the external constraints affecting the region and the slowdown in domestic investment, its impact on public finances is, in many countries, at the root of the inflationary pressures that have become one of the hallmarks of the decade. Given the existing recessionary situation, these inflationary pressures have, in turn, added to the deterioration of the distributive structure and the spread of extreme poverty in the region.

27. The overall picture for the 1980s has not, of course, been entirely negative. Many firms succeeded in improving their levels of international competitiveness, and not all the countries have witnessed the same degree of deterioration. Nor do they all share the same set of circumstances or growth constraints. All the countries of the region have, however, been affected by the crisis to some extent. Moreover, in all of the countries, the causes of the crisis have been complex, and it has withstood attempts to resolve it by means of a variety of simple formulas, such as those based on continued adjustment and stabilization efforts in which the sole focus has been the contraction in effective demand.

28. The complexity of the crisis is illustrated by the turn taken by events in 1988 and again in 1989 when export values rose substantially and large trade surpluses were achieved. These positive developments proved to be insufficient to reactivate the region's economies because the acceleration of inflation made it necessary to give priority to its reduction, even if higher growth rates had to be forgone in order to do so.

29. After nine years of determined efforts to overcome the crisis, by 1989 most of the countries of Latin America and the Caribbean appeared to have neared the limit of their external adjustment possibilities within their existing production structures, as is indicated by the slowdown in the growth of export volumes, especially of non-traditional items. None the less, the financial obligations arising out of the external debt remain, and continue to limit the region's investment capacity, which is precisely what it needs in order to expand its production capacity.

30. Under these conditions, whether because of the increase in inflation or because growth has been curbed in order to bring inflation levels down, most of the countries of the region are hovering between recession and stagnation, despite the striking changes they have managed to bring about in their trade balances. The possibility of achieving a significant expansion of exports now hinges on the course taken by international prices more than it does on the countries' ability to boost the volume of their exports, which, moreover, is limited in the short run by the production capacity of export sectors. Furthermore, as discussed earlier, the region's low levels of investment and the tightness of the countries' fiscal budgets mitigate against the expansion of that capacity.

31. Hence, the focus of efforts to maintain or raise trade surpluses has once again been shifting towards the reduction of imports within recessionary contexts, but in some cases these contexts are chiefly a consequence of attempts to stabilize the economy or of spiralling inflation rather than being due to external adjustment requirements. External imbalances give rise to internal disequilibria, however.

On the one hand, the amount of externally transferrable resources needed to service the external debt exceeds the amount of real resources that can be wrung from sustainable trade surpluses. On the other hand, Governments come under pressure to make larger devaluations and to maintain higher real exchange rates than would be necessary to spur a reallocation of resources to the production of tradable goods because of the depletion of reserves and the need to prevent massive capital flight.

32. Efforts have been made and are being continued in all the countries of the region to reduce fiscal deficits and to limit their absorption of domestic resources. Considerable progress has been made in many countries towards bringing about a genuine fiscal adjustment which will permit State functions to be financed with real resources, without resorting to the use of the "inflation tax"; indeed, in some cases such great strides have been made in this direction that large primary surpluses have been achieved. However, in many instances this has been accomplished through wage cuts and a reduction of public investment, whereas what actually makes it difficult to eliminate fiscal deficits is the financial burden placed on public budgets by the external and domestic debt, especially in situations where tax receipts have been reduced by recession, limited by some sectors' resistance to taxation or eroded by rising inflation.

33. The ability of the Latin American and Caribbean Governments to cover even part of their current external obligations while maintaining domestic stability will, in some countries, depend on the level of export earnings received by the State itself; this is the case, for example, of Mexico (oil) and Chile (copper). In others, a domestic transfer of financial resources must be carried out from the private sector, which has a foreign exchange surplus from its external trade operations, to the public sector, which has a deficit, so that the latter can make payments on the debt.

34. This is why the process of increasing the external deficit in order to sustain an outward transfer of resources can only be carried just so far when there is a lack of growth and investment, and it is also the reason why this transfer's impact on fiscal structures and the domestic financial system results in economic dislocations that plunge such economies into inflationary spirals or recession, which, in turn, undermine their growth potential and discourage investment.

35. In view of the above, it is not surprising that the external debt and its repercussions on the performance of the region's economies continued to be a major concern in 1989. Indeed, the service on the debt came to represent so heavy a burden - especially on public finances - that most of the countries of the region had no option but to mount up arrears (of considerable size in some cases) on their interest payments to private banks, and five countries even fell significantly behind on their payments to the World Bank, the International Monetary Fund or the Inter-American Development Bank.

36. Herein lies the reason for the great interest surrounding the major events occurring during the year which hint at the possibility of a convergence of the positions held by the large Latin American debtors and their principal creditors. Such a trend may be detected in the proposals adopted in this connection by the

Presidents of the member countries of the Permanent Mechanism for Policy Consultation and Concertation (the "Group of Eight") and in the new initiative announced in March by the Secretary of the Treasury of the Government of the United States of America, Nicholas Brady, which introduces major modifications in that Government's policy on the issue. Indeed, a number of the countries in the region, notably Mexico and Costa Rica, carried out negotiations with their principal creditors within the framework of this initiative.

37. Nevertheless, at least from the standpoint of the Latin American and Caribbean countries, this initiative leaves many questions unanswered, particularly as regards its implementation. One refers to the insufficient flow of public resources to enable any multilateral agency to have the liquidity it would need in order to offer the guarantees required to make adequate debt reduction operations viable in a large enough number of countries. Another question has to do with the lack of incentives to induce private banks in the developed countries to take part in such arrangements on a voluntary basis, since this would call for a stable institutional and legal framework which would provide some type of reward for participating in debt reduction programmes and involve some type of disadvantage for banks refraining from doing so. In the coming months the negotiations now under way between the authorities of various countries (including Ecuador, Uruguay and Venezuela) and their respective creditors will put the viability of these new frames of reference to the test and perhaps, along with them, the possibilities for many of the countries in the region to regain their capacity for growth coupled with stability.

Table 1
LATIN AMERICA AND THE CARIBBEAN: MAIN ECONOMIC INDICATORS^a

Indicators	1982	1983	1984	1985	1986	1987	1988	1989 ^b
Gross domestic product at market prices (index, base year 1980 = 100)	99.0	96.1	99.5	103.0	106.8	109.8	110.5	111.7
Population (millions of inhabitants)	375.5	383.6	391.8	400.3	409.0	417.8	426.5	435.5
Per capita gross domestic product (index, base year 1980 = 100)	94.6	89.8	90.9	92.1	93.4	94.0	92.6	91.7
Growth rates								
Gross domestic product	-1.4	-2.9	3.5	3.6	3.6	2.9	0.6	1.1
Per capita gross domestic product	-3.5	-5.0	1.2	1.3	1.3	0.7	-1.5	-1.0
Consumer prices ^c	84.6	130.5	184.7	274.1	64.5	198.5	757.7	994.2
Terms of trade (goods)	-9.2	1.3	6.6	-4.4	-10.3	-0.5	-1.5	1.9
Purchasing power of exports of goods	-7.7	11.0	13.4	-4.2	-10.7	7.4	7.8	3.5
Current value of exports of goods	-8.8	0.1	11.5	-3.6	-15.1	14.0	13.7	8.7
Current value of imports of goods	-19.9	-28.5	4.0	-0.3	2.6	13.1	13.0	8.0
billions of dollars								
Exports of goods	87.5	87.5	97.6	92.1	78.3	89.2	101.5	110.3
Imports of goods	78.4	56.0	58.3	58.1	59.6	67.4	76.2	82.3
Trade balance (goods)	9.1	31.5	39.3	34.0	18.7	21.8	25.3	28.0
Net payments of profits and interest	38.8	34.4	36.7	35.3	32.2	31.4	34.2	38.3
Balance on current account ^d	-41.0	-7.3	-0.5	-3.4	-15.8	-10.7	-10.3	11.1
Net movement of capital ^e	20.2	2.9	10.0	2.5	8.7	14.9	5.3	13.7
Global balance ^f	-20.8	-4.4	9.5	-0.9	-7.1	4.2	-5.0	2.6
Total gross external debt ^g	326.9	351.4	367.1	377.3	393.6	416.3	413.0	415.9
Net transfer of resources ^h	-18.6	-31.5	-26.7	-32.8	-23.5	-16.5	-28.9	-24.6

Source: ECLAC, on the basis of official data.

^a The figures for the gross domestic product and consumer prices refer to the group of countries included in table 2, except Cuba (23 countries) and in table 5, respectively. The data on the external sector relate to the 19 countries mentioned in the table on the balance of payments of Latin America and the Caribbean. ^b Preliminary estimates, subject to revision. ^c Variation from December to December. ^d Includes net unrequited private transfer payments. ^e Includes long and short-term capital, unrequited official transfer payments, and errors and omissions. ^f Corresponds to the variation in international reserves (of opposite sign) plus counterpart items. ^g See the notes to the table "Latin America and the Caribbean: total disbursed external debt". ^h Corresponds to net inflow of capital, less net payments of profits and interest.

Table 2
LATIN AMERICA AND THE CARIBBEAN: GROWTH OF TOTAL GROSS DOMESTIC PRODUCT

	Annual growth rates							Cumulative variation	
	1982	1983	1984	1985	1986	1987	1988	1989 ^a	1981-1989 ^a
Latin America ^b	-1.4	-2.9	3.3	3.6	3.6	2.9	6.6	1.1	11.7
Oil-exporting countries	-8.6	-5.1	2.7	2.4	-8.9	1.4	1.6	-8.3	7.8
Ecuador	-4.4	-6.5	-0.3	-0.1	-2.9	2.1	2.8	2.5	-6.3
Ecuador	1.1	-1.2	4.8	4.8	3.4	-9.1	17.0	0.5	25.7
Mexico	-0.6	-4.2	3.6	2.6	-3.8	1.5	1.1	3.0	11.9
Peru	0.3	-11.8	4.7	2.3	9.0	7.3	-8.6	-10.0	-5.1
Trinidad & Tobago	0.3	-13.6	-3.4	-2.9	-2.8	-6.8	-3.4	-3.5	-31.8
Venezuela	-1.2	-5.5	-1.5	1.7	6.0	2.2	4.9	-8.5	-3.8
Non-oil-exporting countries	-1.8	-1.4	4.8	4.4	6.3	3.7	8.1	1.9	14.6
Argentina	-5.8	2.6	2.3	-4.6	5.8	1.8	-3.2	-5.5	-13.5
Barbados	-5.2	0.4	3.6	1.0	5.1	3.2	3.0	3.0	12.4
Brazil	0.6	-3.4	5.1	8.4	7.5	3.7	-0.3	3.0	21.0
Colombia	1.0	1.9	3.8	3.8	7.1	5.8	3.6	3.0	36.9
Costa Rica	-7.3	2.7	7.8	0.7	5.3	5.3	2.8	5.0	20.9
Cuba ^c	3.9	4.9	7.2	4.6	1.2	-3.8	2.0	1.5	42.8
Chile	-13.1	-0.5	6.0	2.4	5.3	5.4	7.1	8.5	27.5
El Salvador	-5.7	0.6	2.3	1.8	0.5	2.7	1.5	-1.0	-6.3
Guatemala	-3.4	-2.7	0.0	-0.6	0.3	3.6	3.8	4.0	5.6
Guyana	-10.8	-9.9	2.2	1.1	0.2	0.7	-3.0	-2.0	-20.9
Haiti	-3.4	0.6	0.4	0.4	1.0	-0.3	-0.2	0.5	-4.1
Honduras	-1.8	-0.1	2.5	1.5	5.1	4.0	3.9	2.5	19.8
Jamaica	0.0	1.9	-0.8	-5.5	2.5	5.8	0.5	1.0	7.9
Nicaragua	-0.8	4.6	-1.6	-4.1	-1.0	-0.7	-8.0	-3.0	-9.6
Panama	4.9	-0.1	-0.4	4.8	3.5	2.0	-16.4	0.0	0.4
Paraguay	-0.8	-3.0	3.2	4.0	-0.3	4.5	6.7	5.5	32.1
Dominican Republic	1.3	5.0	0.3	-1.9	3.1	7.1	1.6	3.0	25.7
Uruguay	-10.1	-6.0	-1.3	0.2	7.8	6.4	0.2	0.5	-2.0

Sources: ECLAC, on the basis of official data.

^a Preliminary estimates, subject to revision.

^b Does not include Cuba.

^c Refers to total social product.

Table 3
LATIN AMERICA AND THE CARIBBEAN: GROWTH OF PER CAPITA GROSS DOMESTIC PRODUCT

	Annual growth rates							Cumulative variation	
	1982	1983	1984	1985	1986	1987	1988	1989 ^a	1981-1989 ^a
Latin America^b	-3.5	-5.0	1.2	1.3	1.3	0.7	-1.5	-1.0	-8.3
Oil-exporting countries	-3.1	-7.4	0.1	-0.1	-3.3	-1.0	-0.8	-2.6	-14.2
Bolivia	-6.9	-9.0	-3.0	-2.8	-5.6	-0.6	0.0	-0.4	-26.6
Ecuador	-1.7	-3.8	2.0	2.1	0.7	-11.5	14.1	-2.0	-1.1
Mexico	-3.0	-6.5	1.2	0.2	-6.0	-0.8	-1.1	0.8	-9.2
Peru	-2.3	-14.1	2.1	-0.3	6.2	4.6	-10.9	-12.4	-24.7
Trinidad & Tobago	-1.2	-15.0	-4.9	-4.5	-4.3	-8.3	-4.9	-5.3	-40.8
Venezuela	-4.0	-8.1	-4.2	-1.0	3.1	-0.5	2.1	-10.8	-24.9
Non-oil-exporting countries	-3.9	-3.4	1.9	2.2	4.6	1.6	-1.9	0.1	-4.8
Argentina	-7.2	1.1	0.9	-5.9	4.4	0.5	-4.4	-6.7	-23.5
Barbados	-5.2	0.0	3.2	0.6	4.7	2.4	2.6	2.2	8.1
Brazil	-1.6	-5.6	2.8	6.1	5.2	1.5	-2.4	0.9	-0.4
Colombia	-1.1	-0.2	1.7	1.7	4.9	3.7	1.6	0.9	13.9
Costa Rica	-10.0	-0.3	4.8	-2.1	2.4	2.5	0.1	2.3	-6.1
Cuba ^c	3.3	4.3	6.5	3.9	0.3	-4.7	1.0	0.4	33.5
Chile	-14.5	-2.2	4.3	0.7	3.6	3.7	5.3	6.7	9.6
El Salvador	-6.5	-0.3	1.3	0.5	-1.2	0.8	-0.4	-3.1	-17.4
Guatemala ^a	-6.1	-3.4	-2.8	-3.3	-2.6	0.7	0.8	0.8	-18.2
Guyana	-12.6	-11.7	0.3	-0.8	-1.6	-1.1	-4.6	-3.6	-33.1
Haiti	-5.1	-1.2	-1.4	-1.5	-0.8	-2.1	-2.1	-1.6	-18.6
Honduras	-5.4	-3.6	-1.2	-1.9	1.6	0.7	0.7	-0.7	-12.0
Jamaica	-1.5	-0.4	-2.2	-6.9	1.0	4.1	-1.0	-0.5	-5.8
Nicaragua	-4.0	1.2	-4.8	-7.3	-4.3	-4.0	-11.1	-6.4	-33.1
Panama	2.7	-2.2	-2.6	2.6	1.3	-0.1	-18.2	-2.0	-17.2
Paraguay	-4.0	-6.0	0.0	0.9	-3.3	1.4	3.6	2.6	0.0
Dominican Republic	-1.1	2.5	-2.0	-4.1	0.8	4.7	-0.7	0.7	2.0
Uruguay	-10.6	-6.6	-1.9	-0.4	7.2	5.8	-0.4	-0.1	-7.2

Source: ECLAC, on the basis of official figures for the gross domestic product. The population data used in the calculations for this table correspond to unpublished estimates prepared by the Latin American Demographic Centre.

^a Preliminary estimates, subject to revision. ^b Does not include Cuba. ^c Refers to total social product.

Table 4
LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYMENT
(Average annual rates)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Argentina ^a	2.6	4.7	5.3	4.7	4.6	6.1	5.2	5.9	6.3	8.0
Bolivia ^b	7.1	5.9	8.2	8.5	6.9	5.8	7.0	7.2	11.5	10.2
Brazil ^c	6.2	7.9	6.3	6.7	7.1	5.3	3.6	3.7	3.8	3.6
Colombia ^d	9.7	8.3	9.1	11.7	13.4	14.0	13.8	11.7	11.1	9.8
Costa Rica ^e	6.0	9.1	9.9	8.5	6.6	6.7	6.7	5.9	6.4	5.5
Chile ^f	11.7	9.0	20.0	19.0	18.5	17.0	13.1	11.9	10.2	7.5
Ecuador ^g	5.7	6.0	6.3	6.7	10.5	10.4	12.0	12.0	12.3	14.3
Guatemala ^h	2.2	1.5	6.0	9.9	9.1	12.0	14.2	12.1	9.6	7.2
Honduras ⁱ	8.8	9.0	9.2	9.5	10.7	11.7	12.5	11.4	11.5	9.4
Jamaica ^j	13.8	11.2	14.3	13.1	12.1	10.9	10.9	8.6	8.7	...
Mexico ^k	4.5	4.2	4.2	6.6	5.7	4.4	4.3	3.9	3.5	3.0
Panama ^l	10.4	10.7	10.1	11.7	12.4	15.6	12.6	14.0	20.8	22.0
Paraguay ^m	3.9	2.2	5.6	8.3	7.3	5.1	6.1	5.5	4.6	...
Peru ⁿ	7.1	6.8	6.6	9.0	8.9	10.1	5.4	4.8	7.9	...
Uruguay ^o	7.4	6.7	11.9	15.5	14.0	13.1	10.7	9.3	9.1	8.7
Venezuela ^p	6.6	6.8	7.8	11.2	14.3	14.3	12.1	9.9	7.9	9.7

- ^a National urban, April-October average; 1986: October. ^b National, official estimates. ^c Metropolitan areas of Rio de Janeiro, São Paulo, Belo Horizonte, Porto Alegre, Salvador and Recife. Twelve-month average; 1980: June-December average; 1989: January-September average. ^d Bogotá, Barranquilla, Medellín and Cali. Average for March, June, September and December; 1985: average for March, July, September and December; 1986: average for April, June, September and December; 1989: three-quarter average. ^e National urban, average for March, July and November; 1984: March and November average; 1987: July. From 1987 onward the figures are not strictly comparable with the data for preceding years due to the methodological changes which accompanied the introduction of the new series of multi-purpose household surveys. ^f Greater Santiago, four-quarter average. As from August 1983, the data refer to the Santiago metropolitan area. As from October 1985, the figures are not strictly comparable with those for preceding periods due to changes in the make-up and size of the samples; 1989: three-quarter average. ^g Country total, official estimates. ^h Country total, official estimates; 1986: urban labour force survey; 1987: March, Central District; 1989: estimates. ⁱ National, average for April and October. ^j Metropolitan areas of Mexico City, Guadalajara and Monterrey. As from 1983, refers to urban unemployment; four-quarter average; 1989: three-quarter average. ^k Metropolitan Region; 1980: data from the population census of that year; 1989: estimates. ^l Asunción, Fernando de la Mora, Lambaré and the urban areas of Luque and San Lorenzo. Annual average; 1981: first semester; 1983: average for September, October and November; 1984: average for August, September and October; 1985: average for November and December; 1988: official estimates. ^m Metropolitan Lima; 1985: official estimates. ⁿ Montevideo, four-quarter average. ^o National urban, two-semester average; 1984 and 1985: national; 1986: second semester; 1987: first semester; 1989: first semester.

Table 5
LATIN AMERICA AND THE CARIBBEAN: CONSUMER PRICES
(December-December variations)

	1981	1982	1983	1984	1985	1986	1987	1988	1989 ^a
Latin America	57.5	84.6	138.5	184.7	274.1	64.5	198.5	787.7	994.2
Argentina	131.2	209.7	433.7	688.0	385.4	81.9	174.8	387.5	3 731.0 ^b
Barbados	12.3	6.9	5.5	5.1	2.4	-0.5	6.3	4.4	6.3 ^c
Bolivia	25.2	296.5	323.5	2 177.2	8 170.5	66.0	10.7	21.5	15.7 ^b
Brazil	91.2	97.9	179.2	203.3	228.0	58.4	365.9	933.6	1 476.1 ^b
Colombia	27.5	24.1	16.5	18.3	22.3	21.0	24.0	28.2	27.1 ^b
Costa Rica	65.1	81.7	10.7	17.3	11.1	15.4	16.4	25.3	13.9 ^d
Chile	9.5	20.7	23.6	23.0	26.4	17.4	21.5	12.7	21.1 ^b
Ecuador ^e	17.9	24.3	52.5	25.1	24.4	27.3	32.5	85.7	59.2 ^b
El Salvador	11.6	13.8	15.5	9.8	30.8	30.3	19.6	18.2	21.2 ^f
Guatemala	8.7	-2.0	15.4	5.2	31.5	25.7	10.1	12.0	14.5 ^b
Haiti	16.4	4.9	11.2	5.4	17.4	-11.4	-4.1	8.6	5.9 ^g
Honduras	9.2	8.8	7.2	3.7	4.2	3.2	2.7	6.7	10.8 ^h
Jamaica	4.8	7.0	16.7	31.2	23.9	10.5	8.4	8.8	14.2 ⁱ
Mexico	28.7	98.8	80.8	59.2	63.7	105.7	159.2	51.7	18.2 ^j
Nicaragua	23.2	22.2	35.5	47.3	334.3	747.4	1 347.9	33 602.6	3 452.4 ^k
Panama	4.8	3.7	2.0	0.9	0.4	0.4	0.9	0.3	0.1 ^b
Paraguay	15.0	4.2	14.1	29.8	23.1	24.1	32.0	16.9	28.7 ^l
Peru	72.7	72.9	125.1	111.5	158.3	62.9	114.5	1 722.6	2 948.8 ^m
Dominican Republic ⁿ	7.3	7.2	7.7	38.1	28.4	6.5	25.0	57.6	43.2 ^o
Trinidad & Tobago	11.6	10.8	15.4	14.1	6.6	9.9	8.3	12.1	11.0 ^p
Uruguay	29.4	20.5	51.5	66.1	83.0	76.4	57.3	69.0	81.9 ^q
Venezuela	11.0	7.3	7.0	18.3	5.7	12.3	40.3	35.5	90.0 ^r

Source: International Monetary Fund, *International Financial Statistics*, November 1989, and data provided by the countries.

^a Figures correspond to the variation in prices during the preceding twelve-month period ending in the month indicated for each country.
^b Corresponds to the variation between November 1988 and November 1989. ^c Corresponds to the variation between July 1988 and July 1989. ^d Corresponds to the variation between October 1988 and October 1989. ^e Up to 1982, corresponds to the variation in the consumer price index for the city of Quito; from 1983 onward, corresponds to the variation in the national total. ^f Corresponds to the variation between September 1988 and September 1989. ^g Up to 1982, corresponds to the variation in the consumer price index for the city of Santo Domingo; from 1983 onward, corresponds to the variation in the national total.

Table 6
LATIN AMERICA AND THE CARIBBEAN: REAL AVERAGE WAGES

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989 ^a
Annual average indexes (1980 = 100)										
Argentina ^b	100.0	89.4	80.1	100.5	127.1	107.8	109.5	103.0	97.3	88.7
Brazil										
Rio de Janeiro ^c	100.0	108.5	121.6	112.7	105.1	112.7	121.8	102.4	107.1	105.6
São Paulo ^d	100.0	104.7	107.2	94.0	97.9	120.4	150.7	143.2	152.1	156.2
Colombia ^e	100.0	101.3	104.7	110.1	118.1	114.6	120.1	119.2	117.7	119.1
Costa Rica ^f	100.0	88.3	70.8	78.5	84.7	92.2	97.8	89.2	87.5	...
Chile ^g	100.0	108.9	108.6	97.1	97.2	93.5	95.1	94.7	101.0	102.9
Mexico ^h	100.0	103.6	104.4	80.7	75.4	76.6	72.3	72.8	72.1	...
Peru ⁱ	100.0	101.8	110.2	93.4	87.2	77.6	97.5	101.3	77.4	36.9
Uruguay ^j	100.0	107.5	107.1	84.9	77.1	88.1	94.0	98.5	99.7	98.9
Percentage variation ^k										
Argentina	11.8	-10.6	-10.4	25.5	26.5	-15.2	1.6	-5.9	-5.5	-8.8
Brazil										
Rio de Janeiro	5.2	8.5	12.1	-7.3	-6.7	7.2	8.1	-15.9	4.6	-1.4
São Paulo	8.4	4.7	2.4	-12.3	4.1	23.0	25.2	-5.0	6.2	2.7
Colombia	0.8	1.3	3.4	5.2	7.3	-3.0	4.8	-0.7	-1.3	1.2
Costa Rica	0.8	-11.7	-19.8	10.9	7.9	8.9	6.1	-8.8	-1.9	...
Chile	9.0	8.9	-0.3	-10.6	0.1	-3.8	1.7	-0.4	6.7	1.9
Mexico	-2.9	3.6	0.8	-22.7	-6.6	1.6	-5.6	0.7	-1.0	...
Peru	12.4	1.8	8.3	-15.2	-6.6	-11.0	25.6	3.9	-23.6	-52.3
Uruguay	-0.4	7.5	-0.4	-20.7	-9.2	14.3	6.7	4.8	1.2	-0.8

Source: ECLAC, on the basis of official data.

^a Preliminary figures.

^b Average total monthly wages in manufacturing. Twelve-month average; 1989: January-October average.

^c Average wages in basic industry, deflated by the CPI for Rio de Janeiro. Twelve-month average; 1989: January-August average.

^d Average wages in manufacturing in the State of São Paulo, deflated by the cost-of-living index for the city of São Paulo. Twelve-month average; 1989: January-June average.

^e Wages of manual workers in manufacturing; 1989: first semester.

^f Average remunerations declared by persons covered by the social security system.

^g Average remunerations of wage-earners in non-agricultural sectors.

^h Average wages in manufacturing; twelve-month average.

ⁱ Wages of private-sector manual workers in Metropolitan Lima; 1989: average of January, April and June.

^j Index of average real wages. Twelve-month average; 1989: January-October average.

^k With respect to the same period of the preceding year.

Table 7
LATIN AMERICA AND THE CARIBBEAN: TERMS OF TRADE (GOODS), FOB/FOB
(Indexes: 1980 = 100, growth rates and cumulative percentage variation)

	Indexes				Growth rates				Cumulative variation	
	1986	1987	1988	1989 ^a	1985	1986	1987	1988	1989 ^a	1981-1989 ^a
Latin America	79	79	78	79	-4.4	-10.3	-8.5	-1.5	1.9	-28.8
Oil-exporting countries	64	70	60	65	-1.2	-33.4	10.6	-14.4	8.0	-35.0
Bolivia	95	92	85	90	-7.8	-8.6	-2.7	-7.9	6.7	-9.6
Ecuador	73	72	61	64	1.3	-24.9	-1.4	-15.2	5.1	-36.3
Mexico	65	69	60	63	1.6	-25.6	5.7	-12.8	4.2	-37.5
Peru	87	95	104	106	-3.6	-3.8	9.1	10.4	1.4	5.8
Venezuela	54	66	53	63	-4.7	-51.2	21.7	-19.1	18.2	-37.2
Non-oil-exporting countries	94	87	93	91	-7.3	13.1	-8.1	7.2	-2.0	-9.1
Argentina	73	72	76	75	-17.6	-10.1	-1.9	5.7	-1.0	-25.0
Brazil	97	87	92	87	-2.7	15.6	-10.4	6.6	-5.7	-13.0
Colombia	120	92	92	96	-8.4	29.9	-23.1	-0.4	4.3	-4.3
Costa Rica	106	97	99	92	-2.7	20.6	-9.0	2.2	-7.1	-8.4
Chile	79	83	100	105	-6.9	8.8	4.4	21.7	4.8	5.2
El Salvador	89	61	64	55	-4.8	28.1	-31.6	5.5	-13.8	-45.0
Guatemala	108	85	89	82	-5.6	30.0	-21.2	4.7	-7.5	-17.6
Haiti	99	108	99	86	5.8	12.6	9.3	-8.6	-12.4	-13.7
Honduras	101	90	95	87	14.3	23.1	-11.5	6.5	-8.9	-13.2
Nicaragua	104	100	99	91	-7.0	5.8	-3.9	-0.2	-9.5	-9.2
Panama	125	118	127	123	1.6	24.1	-5.7	7.9	-2.8	23.4
Paraguay ^b	127	141	153	149	-15.5	4.3	11.0	8.8	-2.8	48.6
Dominican Republic	94	82	105	116	-14.9	14.7	-12.6	26.8	11.0	16.0
Uruguay	103	106	113	112	-9.6	16.4	2.8	6.6	-0.9	11.9

Source: ECLAC.

^a Preliminary estimates.

^b From 1986 onward, "Goods" includes trade in energy, which was previously included under "Services".

Table 3
LATIN AMERICA AND THE CARIBBEAN: PRICES OF MAIN EXPORT COMMODITIES
(Dollars at current prices)

	Annual averages					Growth rates				Cumulative
	1970-1980	1986	1987	1988	1989 ^a	1986	1987	1988	1989 ^b	1989/1970-1980
Unrefined sugar ^c	12.8	6.1	6.8	10.2	12.3	48.8	11.5	50.0	20.6	-3.9
Coffee (mild)	121.8	192.7	112.3	135.1	119.2	32.3	-41.7	20.3	-11.8	-2.1
Cocoa	86.3	93.8	90.6	72.1	59.9	-8.3	-3.4	-20.4	-16.9	-30.6
Bananas ^c	11.8	22.1	26.5	24.6	19.7	20.1	19.9	-7.2	-19.9	66.9
Wheat ^d	125.1	115.0	115.0	146.0	171.0	-16.7	0.0	27.0	17.1	36.7
Maize ^d	127.5	112.9	109.4	135.7	143.8	-16.6	-3.1	24.0	6.0	12.8
Beef ^e	82.2	95.0	108.2	114.2	112.7	-2.8	13.9	5.5	-1.3	37.1
Fish meal ^d	354.7	321.0	383.0	544.0	406.0	14.6	19.3	42.0	-25.4	14.5
Soya beans ^d	232.4	208.0	216.0	304.0	285.0	-7.6	3.8	40.7	-6.3	22.6
Cotton	61.2	52.9	76.1	63.4	72.2	-14.3	43.9	-16.7	13.9	18.0
Wool ^e	131.5	147.7	182.9	207.1	194.4	5.0	23.8	13.2	-6.1	47.8
Copper ^e	69.6	62.3	80.8	117.9	132.5	-3.1	29.7	45.9	12.4	90.4
Tin	3.9	2.6	3.1	3.3	4.1	-51.9	19.2	6.5	24.2	5.1
Iron ore ^d	17.6	21.6	22.1	22.3	24.2	-1.8	2.3	0.9	8.5	37.5
Lead ^e	25.3	18.4	27.1	29.3	29.9	4.0	47.3	10.0	0.3	18.2
Zinc ^e	29.7	38.0	42.4	60.2	84.0	-5.9	11.6	42.0	39.5	182.8
Bauxite ^{d, f}	103.5	165.2	164.8	164.8	-	0.5	-0.2	0.0	-	-
Crude petroleum ^g										
Saudi Arabia	10.0	12.5	16.3	12.8	15.9	-49.0	30.4	-21.5	24.2	59.0
Ecuador	-	15.0	18.0	15.2	17.2	-43.6	20.0	-15.6	13.2	-
Mexico	-	13.0	16.6	12.9	14.9	-47.2	27.7	-22.3	15.5	-
Venezuela	10.1	12.5	16.2	12.3	15.7	-47.9	29.6	-24.1	27.6	55.4

Source: UNCTAD, Monthly Commodity Price Bulletin 1960-1984 and October 1989; International Monetary Fund, *International Financial Statistics*, Yearbooks, 1981 and November 1989; *Petroleum Intelligence Weekly*, 1984-1989, various issues; Energy Economics Research Limited, *Oil and Energy Trends*, April 1989; ECLAC, on the basis of official data.

Note: Unrefined sugar, FOB, Caribbean ports, for export to the free market. Coffee mild arábica, ex-dock New York. Cocoa beans, average of daily prices (futures), New York/London. Central American Bananas, CIF North Sea ports. Cotton, Mexican M 1-1/32", CIF Northern Europe. Wool, clean, combed, grade 48's, United Kingdom. Beef, frozen, and deboned, all sources, United States ports. Fish meal, all sources, 64-65% protein, CIF Hamburg. Wheat, United States No. 2, Hard Red Winter. Maize, Argentina, CIF North Sea ports. Soya beans, United States, No. 2, yellow bulk, CIF Rotterdam. Copper, tin, lead and zinc, spot cash prices on the London Metal Exchange. Iron ore, Liberia, C 61% Fe, CIF North Sea ports. Bauxite, Guyana (Baltimore). Petroleum, Saudi Arabia: Heavy-27 (U.S. Gulf Coast); Ecuador: Oriente-30 (U.S. Gulf Coast); Mexico: Maya Heavy-22 (U.S. Gulf Coast); Venezuela: Tia Juana-22 (Caribbean).

^a January-September average.

^b January-September average as compared to average for 1988.

^c U.S. cents per pound.

^d Dollars per metric ton.

^e Dollars per pound.

^f 1988: January-May average.

^g Dollars per barrel.

Table 9
LATIN AMERICA AND THE CARIBBEAN: TRADE BALANCE (GOODS)
(Millions of dollars)

	Exports of goods FOB			Imports of goods FOB			Trade balance (goods)		
	1987	1988	1989 ^a	1987	1988	1989 ^a	1987	1988	1989 ^a
Latin America	89 212	101 479	110 313	67 486	76 137	82 280	21 806	25 322	28 033
Oil-exporting countries	36 417	36 323	41 735	26 909	35 377	34 670	9 508	946	7 063
Bolivia	519	542	635	646	485	540	-127	57	95
Ecuador	2 021	2 203	2 340	2 654	1 614	1 730	-33	589	410
Mexico	20 649	20 648	22 700	12 199	18 945	22 900	8 450	1 703	-200
Peru	2 661	2 696	3 470	3 178	2 752	1 900	-517	-56	1 570
Venezuela	10 567	10 234	12 590	8 838	11 581	7 600	1 735	-1 347	4 990
Non-oil-exporting countries	52 795	65 156	68 588	40 497	40 780	47 610	12 298	24 376	20 978
Argentina	6 359	9 160	9 400	5 384	4 907	4 050	975	4 253	5 350
Brazil	26 156	33 874	34 650	15 050	14 688	18 650	11 106	19 186	16 000
Colombia	5 661	5 163	5 710	3 793	4 516	4 930	1 868	647	780
Costa Rica	1 109	1 207	1 320	1 245	1 278	1 725	-136	-71	-405
Chile	5 224	7 052	7 955	3 994	4 833	6 285	1 230	2 219	1 670
El Salvador	591	609	500	925	962	1 020	-334	-353	-520
Guatemala	980	1 073	1 175	1 330	1 413	1 565	-350	-340	-390
Haiti	210	156	150	311	284	310	-101	-128	-160
Honduras	844	893	970	894	917	990	-50	-24	-20
Nicaragua	295	235	260	734	718	545	-439	-483	-285
Panama	2 521	2 338	2 600	3 116	2 515	3 290	-595	-177	-690
Paraguay	952	1 098	1 270	1 049	1 029	1 190	-97	69	80
Dominican Republic	711	893	1 060	1 592	1 608	1 935	-881	-715	-875
Uruguay	1 182	1 405	1 560	1 080	1 112	1 125	102	293	435

Source: 1987 and 1988: ECLAC, on the basis of figures supplied by the International Monetary Fund; the 1987 and 1988 figures for El Salvador and Nicaragua and the 1988 figures for Brazil and Guatemala are ECLAC estimates; 1989: ECLAC, on the basis of national data.

^a Preliminary ECLAC estimates. The figures have been rounded to the nearest ten or five.

Table 10
LATIN AMERICA AND THE CARIBBEAN: BALANCE OF PAYMENTS
(Millions of dollars)

	Net service payments ^a			Net payments of profits and interest ^c			Balance on current account ^d			Net capital movements ^e			Global balance		
	1987	1988	1989 ^b	1987	1988	1989 ^b	1987	1988	1989 ^b	1987	1988	1989 ^b	1987	1988	1989 ^b
Latin America	3 197	3 736	3 460	31 421	34 179	38 315	-10 711	-10 309	-11 095	14 874	5 274	13 665	4 163	-3 035	2 570
Oil-exporting countries	129	-9	-700	11 105	12 175	13 825	-1 453	-10 870	-5 490	5 196	-176	8 035	3 743	-11 046	2 545
Bolivia	139	109	100	277	283	235	-526	-314	-220	478	271	270	-48	-43	50
Ecuador	315	245	215	914	1 010	1 000	-1 263	-657	-605	1 163	671	820	-100	14	215
Mexico	-2 083	-2 426	-2 400	7 195	7 712	8 380	3 722	-3 130	-5 500	1 951	-3 666	6 500	5 673	-6 796	1 000
Peru	422	452	305	1 344	1 600	1 720	-2 283	-2 108	-455	1 524	1 984	1 425	-759	-124	970
Venezuela	1 336	1 611	1 080	1 375	1 370	2 490	-1 103	-4 661	1 290	80	564	-980	-1 023	-4 097	310
Non-oil-exporting countries	3 068	3 745	4 160	20 316	22 004	24 490	-9 258	561	-5 605	9 678	5 450	5 630	420	6 011	25
Argentina	719	715	540	4 478	5 124	6 500	-4 232	-1 586	-1 690	2 281	3 490	1 190	-1 951	1 904	-500
Brazil	2 361	2 999	3 690	10 316	11 371	12 300	-1 456	4 909	110	3 588	-1 873	100	2 132	3 021	210
Colombia	565	291	450	1 968	1 789	1 800	344	-460	-455	58	636	540	402	176	85
Costa Rica	47	-9	-110	297	332	350	-442	-356	-600	480	598	660	39	242	60
Chile	463	645	680	1 700	1 919	1 985	-869	-282	-925	1 005	1 106	1 160	136	824	235
El Salvador	-47	-87	10	147	146	120	-233	-186	-395	182	272	250	-51	86	-145
Guatemala	107	124	80	170	166	180	-528	-477	-455	474	395	495	-54	-82	40
Haiti	80	94	135	21	24	30	-146	-182	-260	162	204	150	16	22	-110
Honduras	69	79	15	238	264	270	-341	-349	-285	406	366	290	65	19	5
Nicaragua	129	98	85	208	151	155	-766	-732	-525	504	562	545	-262	-170	20
Panama	-790	-800	-790	12	-28	-5	149	625	95	-187	-630	-105	-38	-5	-10
Paraguay	-111	107	10	174	122	150	-158	-158	-80	196	-10	195	38	-168	115
Dominican Republic	-485	-485	-645	306	318	320	-441	-218	-230	308	341	215	-133	123	-15
Uruguay	-35	-26	10	281	306	335	-139	13	90	221	6	-55	82	19	35

Source: 1987 and 1988: ECLAC, on the basis of figures supplied by the International Monetary Fund; the 1987 and 1988 figures for El Salvador and Nicaragua and the 1988 figures for Brazil and Guatemala, are ECLAC estimates; 1989: ECLAC, on the basis of official figures.

^a Does not include net payments of profits and interest. ^b Preliminary ECLAC estimates. The figures have been rounded to the nearest ten or five. ^c Includes interest due. ^d Includes net unrequited private transfer payments, which were of a significant level in 1989 for the following countries: Colombia, El Salvador, Guatemala, Mexico and the Dominican Republic. ^e Includes short- and long-term capital, unrequited official transfer payments, and errors and omissions.

Table 11
LATIN AMERICA AND THE CARIBBEAN: NET CAPITAL INFLOW AND TRANSFER OF RESOURCES
(Billions of dollars and percentages)

	Net capital inflow	Net payments of profits and interest	Transfer of resources (3) = (1)-(2)	Exports of goods and services	Transfer of resources/ exports of goods and services (5) = (3)/(4)
	(1)	(2)	(3)	(4)	(5)
1973	7.9	4.2	3.7	28.9	12.8
1974	11.4	5.0	6.4	43.6	14.7
1975	14.3	5.6	8.7	41.1	21.2
1976	17.9	6.8	11.1	47.3	23.5
1977	17.2	8.2	9.0	55.9	16.1
1978	26.2	10.2	16.0	61.3	26.1
1979	29.1	13.6	15.5	82.0	18.9
1980	29.7	18.1	11.6	107.7	10.8
1981	37.6	27.2	10.4	116.1	9.0
1982	20.2	38.8	-18.6	103.2	-18.0
1983	2.9	34.4	-31.5	102.4	-30.8
1984	10.0	36.7	-26.7	113.7	-23.5
1985	2.5	35.3	-32.8	109.3	-30.0
1986	8.7	32.2	-23.5	95.5	-24.6
1987	14.9	31.4	-16.5	108.2	-15.2
1988	5.3	34.2	-28.9	122.9	-23.5
1989 ^b	13.7	38.3	-24.6	133.8	-18.4

Source: 1973-1988: ECLAC, on basis of figures supplied by the International Monetary Fund; 1989: ECLAC, on the basis of official figures.
^a Percentages. ^b Preliminary estimates.

Table 12
LATIN AMERICA AND THE CARIBBEAN: TOTAL DISBURSED EXTERNAL DEBT^a

	End-of-year balance in millions of dollars						Growth rates				
	1984	1985	1986	1987	1988	1989 ^b	1979- 1981	1982- 1983	1984- 1987	1988	1989 ^b
Latin America	367 858	377 274	393 649	416 352	412 986	415 900	23.0	11.1	4.3	-0.8	-0.7
Oil-exporting countries	153 434	156 444	161 640	168 215	167 975	170 585	24.6	10.3	2.6	-0.1	-1.5
Bolivia ^c	3 208	3 294	3 536	4 162	3 993	4 100	13.4	9.5	7.2	-4.1	2.7
Ecuador	7 596	8 111	9 077	10 267	11 034	11 700	21.1	19.7	8.7	7.5	6.0
Mexico	96 700	97 800	100 500	102 400	100 400	99 900	30.8	12.0	2.2	-2.0	-0.5
Peru	12 068	13 877	15 630	16 942	18 725	19 980	1.0	14.0	8.0	10.5	6.7
Venezuela ^d	33 862	33 362	32 897	34 444	33 823	34 825	26.0	4.1	-0.2	-1.8	3.0
Non-oil-exporting countries	213 624	220 830	232 009	248 137	245 011	245 395	21.7	11.8	5.6	-1.3	0.2
Argentina	46 903	49 326	51 422	54 700	59 000	61 100	42.1	12.8	5.0	7.9	3.6
Brazil ^e	104 926	105 126	111 045	121 174	113 300	111 100	14.5	10.2	5.6	-6.5	-1.9
Colombia	12 350	14 063	14 987	15 663	16 454	16 950	28.0	16.1	8.2	5.1	3.0
Costa Rica	3 752	3 742	3 922	4 194	4 100	4 500	13.3	14.7	4.4	-2.2	9.8
Chile	19 659	20 403	20 716	20 660	18 971	17 610	30.7	7.6	3.5	-8.2	-7.2
El Salvador	1 949	1 980	1 928	1 880	1 913	1 825	19.1	8.4	-0.1	1.8	4.6
Guatemala	2 495	2 694	2 674	2 700	2 647	2 830	19.3	25.0	6.0	-2.0	7.0
Haiti ^c	607	600	697	741	785	800	21.1	22.3	7.9	5.9	1.9
Honduras	2 392	2 794	3 018	3 105	3 045	3 260	17.8	17.0	9.6	-1.9	7.1
Nicaragua ^c	4 362	4 936	5 760	6 270	7 220	7 570	27.4	21.5	13.5	15.2	4.8
Panama ^f	4 368	4 774	4 935	5 324	5 400	5 500	13.3	14.2	5.0	1.4	1.9
Paraguay	1 654	1 772	1 855	2 043	2 002	2 150	12.4	24.5	8.6	-2.0	7.4
Dominican Republic	3 536	3 720	3 812	3 795	3 844	3 900	24.4	14.0	3.5	1.3	1.5
Uruguay	4 671	4 900	5 238	5 888	6 330	6 300	36.1	22.0	6.6	7.5	-0.5

Source: ECLAC, on the basis of official figures.

^a Includes debt owed to the International Monetary Fund.

^b Preliminary figures.

^c Public debt.

^d Total debt according to

official figures and data supplied by the international financial agencies.

^e Up to 1984, corresponds to World Bank data.

^f World

Bank data.

Table 13
LATIN AMERICA AND THE CARIBBEAN: TOTAL INTEREST DUE
AS A PERCENTAGE OF EXPORTS OF GOODS AND SERVICES
(Percentages)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989 ^a
Latin America	20.4	28.0	41.0	36.2	36.4	35.8	36.6	30.4	29.5	29.9
Oil-exporting countries	16.8	22.5	35.6	31.4	33.8	32.8	35.5	29.1	31.1	29.9
Bolivia	25.0	34.6	43.4	39.8	49.8	46.8	42.1	38.4	40.7	28.2
Ecuador	18.3	22.8	30.3	27.4	30.7	25.5	30.0	32.7	33.5	31.3
Mexico	23.3	29.0	47.3	37.5	39.1	37.3	38.4	29.6	30.8	29.8
Peru	18.4	24.1	25.1	29.8	33.2	34.0	33.0	38.2	43.3	36.8
Venezuela	8.1	12.7	21.0	21.6	24.1	25.3	31.1	23.7	27.0	27.2
Non-oil-exporting countries	23.9	33.8	46.8	40.9	39.0	38.5	36.6	31.1	28.7	29.9
Argentina	22.0	35.5	53.6	58.4	57.6	51.1	51.0	50.9	42.4	53.1
Brazil	34.1	40.4	57.1	43.5	39.6	40.3	41.4	33.1	29.3	30.6
Colombia	11.8	21.9	25.9	26.7	22.8	28.9	20.5	20.5	21.9	21.8
Costa Rica	18.0	28.0	36.1	33.0	26.6	24.9	21.8	21.2	21.6	21.6
Chile	19.3	38.8	49.5	38.9	48.0	43.5	37.9	26.4	21.8	19.1
El Salvador	5.9	7.8	11.9	12.2	12.3	11.1	10.1	13.6	13.7	14.5
Guatemala	5.3	7.6	7.8	8.7	12.3	14.6	17.3	13.6	12.5	14.6
Haiti	2.1	2.7	2.4	2.4	5.2	5.4	5.2	6.0	8.7	11.6
Honduras	10.6	14.4	22.4	16.4	15.9	16.1	19.5	18.3	19.9	19.4
Nicaragua	24.3	37.4	41.8	44.8	56.1	72.0	83.6	64.1	55.6	56.1
Paraguay	13.4	14.8	13.5	14.3	10.1	5.3	18.5	9.2	8.4	8.1
Dominican Republic	19.9	19.1	22.7	24.5	18.1	18.7	18.9	20.4	18.7	16.4
Uruguay	11.0	12.9	22.4	24.8	34.8	34.2	24.7	24.8	23.8	26.7

Source: ECLAC, on the basis of official figures.

^a Preliminary estimates.

Figure
LATIN AMERICA AND THE CARIBBEAN: MAIN ECONOMIC INDICATORS

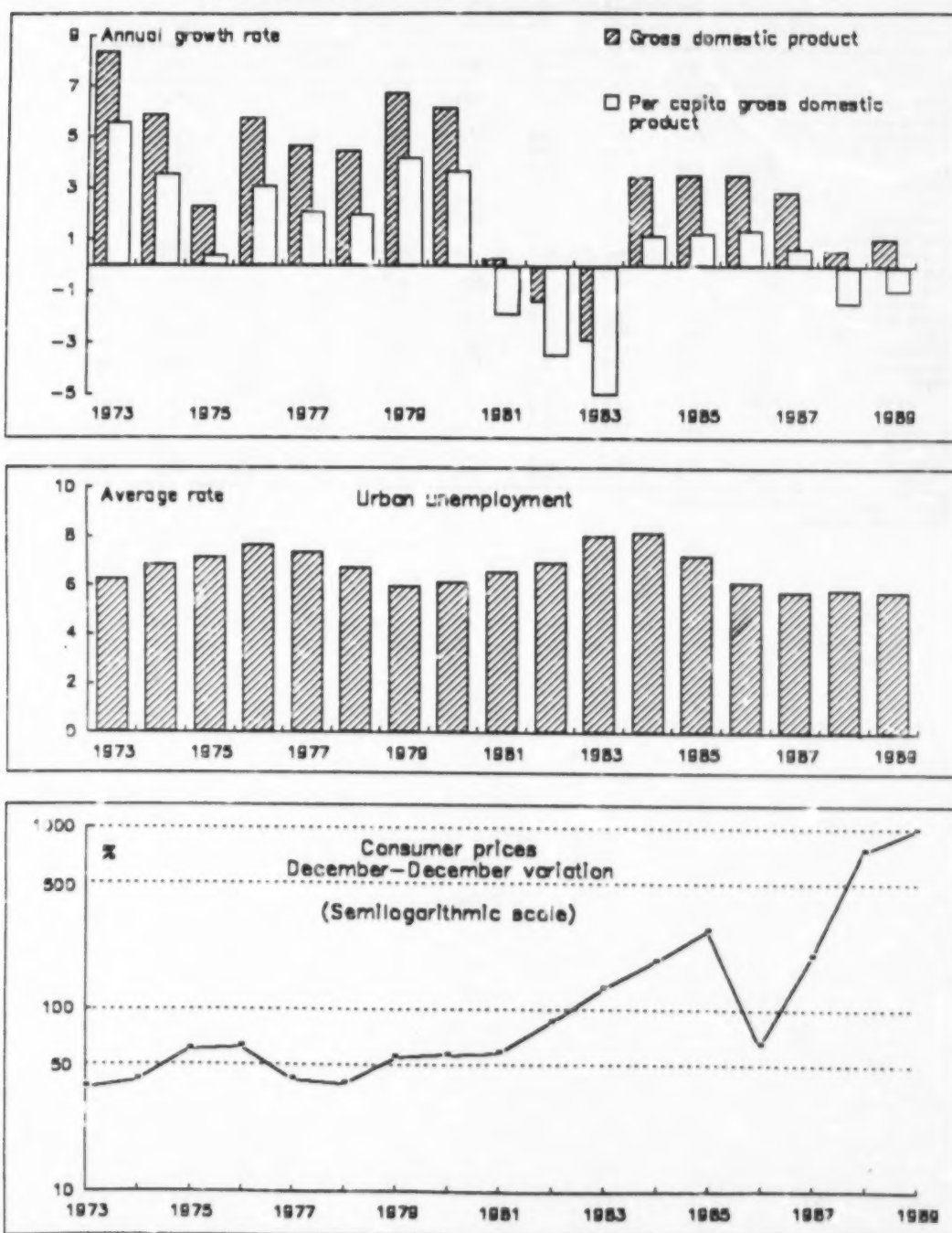
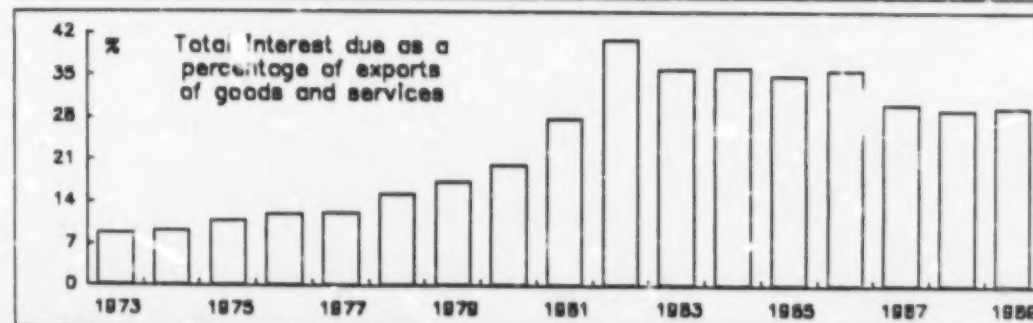
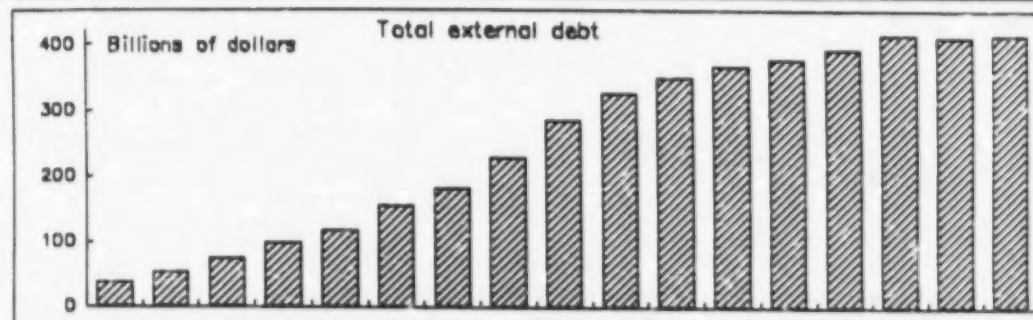
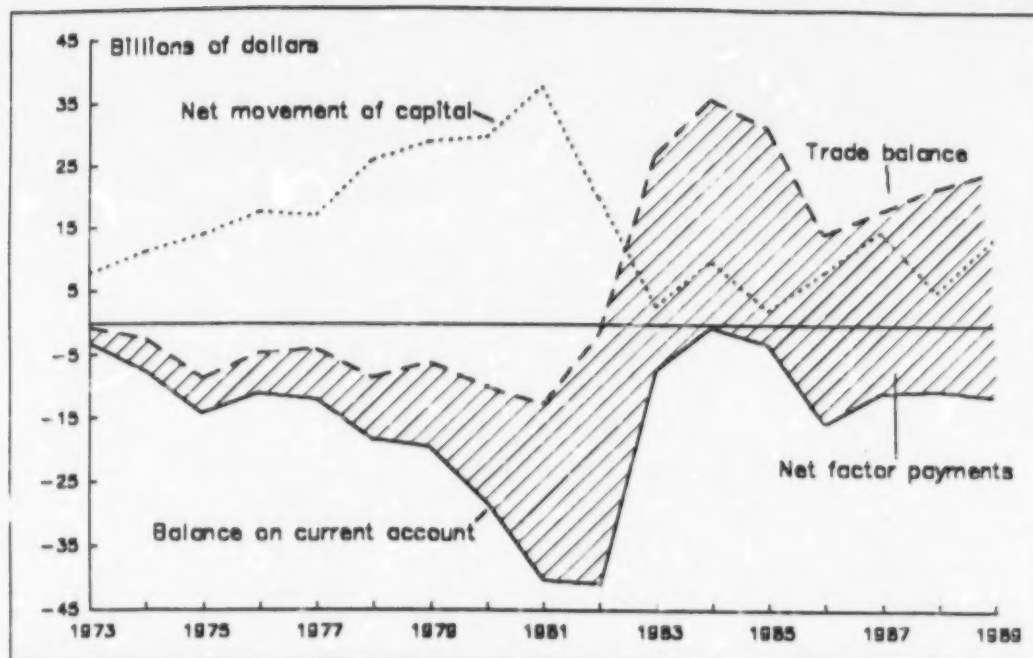


Figure (continued)



Source: ECLAC, on the basis of official data.